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ABSTRACT

The descriptive-analytical detail of this study provides confirmation of the generality that, if teachers continue with the profession long enough, they will retire with allowance payments close to or even below poverty levels. The research reviews most aspects of teacher retirement including: (1) historical and philosophical background; (2) overall and administrative view of retirement systems; (3) financial operations of state-wide retirement systems; (4) the social security system and its relation to teacher retirement; (5) typical retirement plans and benefits; (6) disability retirement; (7) mandatory retirement, vesting retirement, and creditable years of service; (8) the mobile teacher; (9) death and survivor benefits; and (10) cost of living needs. All state programs for teacher retirement are analyzed and evaluated, and recommendations are provided for systems improvement in each state system. A bibliography is also provided. (DS)

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RETIREMENT SYSTEMS OF THE AMERICAN TEACHER

by
W. William Schmid

Foreword by
The Hon. Hubert H. Humphrey
United States Senate

In cooperation with
AMERICAN FEDERATION OF TEACHERS
AFL-CIO

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FOREWORD

Teacher retirement systems like teacher salaries have, for many years, been inadequate and inequitable. This nation-wide study of public school teacher retirement systems, graphically portrays these existing inequities.

The survey shows how teachers are unjustly penalized if they move from one retirement system to another and highlights the need for the extension of reciprocity between the various pension systems. Accordingly, I commend the American Federation of Teachers for its splendid leadership in this neglected area in American education.

Hubert Horatio Humphrey

December, 1970
Washington, D.C.

INTRODUCTION

RETIREMENT SYSTEMS OF THE AMERICAN TEACHER by W. William Schmid is a product of the American Federation of Teachers' research grant program which we call "Research For Action." Through this program, the American Federation of Teachers encourages grass-roots research projects by rank-and-file *classroom teachers* working to solve the problems facing teachers at *all* levels of education. Mr. Schmid's book, to this date, is surely the high point of the A.F.T. research grant series.

The goal of "Research For Action" is to produce studies which will provide insights, guidelines, data, and directions for teachers to use as they seek answers to the many pertinent issues of the day. This book fully meets that criterion.

Further, the goal of "Research For Action" is stated in the following terms: "It will *not* produce an endless stream of high-sounding but irrelevant statements. The archives of education are cluttered with such documents." Schmid's study, along with his recommendations, meets this goal, for we fully expect that his recommendations will be translated into *action, legislative,* and *social welfare* programs for teachers. Unlike so many of the earlier studies on pensions and retirement, this one surely will not gather dust on the shelf. It is intended to be used as an instrument of change, an instrument of reform.

The study provides the first complete and highly instructive investigation of retirement systems for teachers in the United States. The descriptive-analytical detail of the study provides confirmation to one often stated generality—if teachers continue with the profession long enough, they can retire with allowance payments close to or even below poverty levels. In fact, under the author's "Golden Retirement Rating Scale" only two states achieved an "A" rating while seven states had "F" ratings.

Furthermore, teachers must make contributions from generally low salaries, but they exercise virtually no control over the investment policies that now too frequently produce low returns to the retirement fund. Also, few teachers have the option of investing in a variable annuity program. Grossly inadequate formulas for cost of living adjustments result in increasing erosion of benefits.

In order to overcome the sad state of teacher retirement, the author formulates 27 recommendations. The top priority recommendation is for normal retirement after 20 years of service at 50% of the final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The proposed benefit formula would be 2½% per year to a maximum of 80% of the final year's salary.

Other key suggestions include increased teacher representation on retirement boards and gaining a more influential voice in the investment of their own retirement system contributions, the opportunity for teacher's to invest to 75% of their contributions in common stock together with new money investments in common and preferred stocks to 50% of public retirement fund assets and an average retirement fund investment return of at least 9% on new money. In addition, there should be an annual automatic cost of living adjustment of the original retirement allowance based upon the identical change in the consumer price index and no limit imposed on after-retirement earnings.

The most critical prerequisite for realizing the author's recommendation is teacher bargaining power. The first recommendation was achieved by the United Federation of Teachers in their 1969 negotiations. These new retirement benefits will go far in attracting and retaining qualified teachers in the schools of the nation's largest city. All teachers deserve the same security upon retirement.

W. William Schimid's study is truly in keeping with our stated aim: Research For Action.

Robert D. Bhaerman, Director
John H. Oliver, Assistant Director
Department of Research

American Federation of Teachers
AFL-CIO

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Part I
THE PROBLEM

Chapter 1
PENSIONS ARE FOR PEOPLE

Pensions are for people.

This concept is the framework within which this current study of teacher retirement in the United States is undertaken. Dr. William C. Greenough, chairman of Teachers Insurance[32]* and Annuity Association, stressed this idea in an article in *Insurance* when he emphasized that pensions are not employer-oriented but people-oriented.

A pension system is in effect only an instrument, a means, a device by which certain general and specific human needs are met. All too often the teacher retirement system becomes the master and not the slave, the end and not the means.

Now this state of affairs is a natural and understandable development. The area of retirement by its very nature tends to be complex and mathematical, and it's not difficult to become involved in the non-human aspects of the field. Another reason for this sometimes false emphasis is that many of us concerned with teacher retirement must be involved with the general assembly of the state or the local town council in order to get needed improvements translated into the law.

This means working and thinking in legal terms, with the result that the concentration and emphasis all too often are on the law and on the technical advancements for the system. The retirant as an individual is lost in the process.

We must constantly remain vigilant and remind ourselves that the needs of the individual are paramount – the financial needs, the emotional needs and the need for dignity and self-respect in those hopefully golden twilight years.

Retirement Needs

The complexity of the needs of people who retire is observed by Otto Pollak writing in a publication of the Pension Research Council.[20] He reports that scientific investigation has established the importance of the social aspects of retirement.

In fact, a successful adjustment from a busy lifetime of work to the more leisurely world of retirement could conceivably mean the difference between life and death.

This point is noted by Joe Swire,[89] director of pensions, health and welfare for the IUE, when he wrote, "Americans are a peculiar people. We have compulsions and too many of us are not happy unless we are working hard. . . but this is an American characteristic. Work is one of our gods. And, too many of our people when forced to retire, don't last too long. Too many have nothing left to live for."

The spirit of what it means for a person to retire is captured in the comments of newspaper columnist Thomas Collins as he remarks,[82] "Retirement with its freedom and a guaranteed annual income, is one of mankind's great blessings. And you can do magnificent things with it. But don't go into retirement thinking it's a lark. It's one of the bigger problems of your lifetime and if you don't intend to turn into a vegetable you've got to work to solve it."

Now it's a pretty phrase to say you lose only a job when you retire. But that doesn't quite cover the situation. What you lose - and what you can do about it - follows:

1. You lose your status as an expert. Every working person by age 65 is an expert on something. But the manager of a corset counter in a department store can no longer play expert on this subject when he retires to a nice suburban community. So he or she must become an expert at something new - flowers, bridge, antiques, welfare, vacuum cleaners or anything. The human spirit requires that we be exceptional at something.

2. You lose most of your friends. Fellow workers still on the job are too busy for you, while those retiring with you scatter to everywhere or grow introverted or ill. You solve this by accepting it as inevitable, then taking aggressive steps to cultivate new friends. Be bold, invite anybody you meet to your home, even if you don't like them much. They'll probably come. Then some of them will invite you back.

3. You lose your standard of living. Your income usually drops to a third or a fourth of what it has been. You have to wear patched clothes, drive an old car, pass up lamb chops. You can't do much about this. You can cry. You can complain that Social Security is being mean. But in general you have to adopt a philosophy that this is how the situation is, and you can't change it. Of course you can kick yourself because you didn't save more money in your 50's, but wasn't it fun spending it?

4. You lose your godfather. Your employer - though he underpaid you and never really appreciated how wonderful you were – was a great strength to you. He protected you in time of crisis. He gave you a sense of belonging in the world. He let you use his name as an identity for you. He made you come to work at a certain time, thus giving a discipline to your life you wouldn't have imposed yourself. Once you retire your godfather is gone. So you use your 65 years of wisdom to manage your own life.

5. You lose your habits - the alarm clock, the 9 to 5 bit, the five day work week. And with this loss you may lose your health. Too many retired people die shortly after age 65 to blame it all on old age - there's something about a worker changing his tempo and habits that is involved here. What, nobody seems to know yet. So check with a doctor before you retire, and keep checking in on a periodic basis for at least two years.

Now most certainly one of the most pressing needs of the retired person is financial security.

Professor Merton C. Bernstein examines this subject and observes,[3] "Given our prodigious productive capacity, our unprecedentedly high standard of living, and our basic belief in the worth and dignity of each individual, what do we who work for a living with normal diligence have a right to expect when we retire? We reasonably might expect that our retirement resources will enable us to live (1) free from want, with decency, independence and self-respect (2) at a standard equal to the pre-retirement level."

Director Bert Seidman of the AFL-CIO department of Social Security considers how financial need is measured as he writes,[47] "There are many yardsticks for measuring need. A good example is the U. S. Bureau of Labor Statistics' 'modest but adequate' budget for retired couples". This budget was calculated to be $3,000 a year in 1959 in a large city and $2,500 in a smaller one. Even with adjustment for the 20% increase in living costs since 1959, this ten year old budget considerably exceeds the benefits received by most beneficiaries today. "They are actually much higher than the total income from all sources of the large majority of aged couples," he noted.

"Yet this budget is a bleak one," Seidman continued, "it allows about a half-pound of meat and less than two eggs a day (and that's for two people); the man can replace his topcoat every ninth year. And, if this elderly couple wants to live

*Footnote numbers in text refer to the bibliography listing.

it up a little, this budget allows them to take in a movie once every four weeks."

A rock bottom standard of poverty is the Department of Agriculture's "economy food budget" based on minimum nutritional needs at minimum cost. It is actually 20 to 25% lower than the Department's low-cost plan traditionally used by welfare agencies for determining food allotments for needy families. For example, the budget allows roughly 22 cents per person per meal. This budget allows about $1,850 for a non-farm couple which differs little from the average Social Security benefit for a couple, he concluded.

Commenting on the "modest retired couples budget," Bernstein states, "Obviously the budget would place many elderly couples at a level palpably below that enjoyed by many where the principal earner is fully employed, and below what we would like to believe is typical of the American standard of living."

Thus it appears that the present instruments we have to measure the most complicated subject of financial need for retirants are far from perfect and that the accuracy of the minimum standards are open to serious question.

Background Forces Influencing the Problem of the Aged

The general retirement climate of today has at least in part been created by social and economic developments of the past. Some of these underlying forces are discussed by Professor Dan McGill.[11]

He calls attention to the phenomenal growth in the number and proportion of the aged population in the United States during the last half century. During this period the general population of the country has doubled, while the number of persons age 65 and over has quadrupled. In 1910 there were about 4 million persons 65 and over, whereas 50 years later the number has grown to 16.6 million. Approximately 10% of the population was 65 or older in 1968.

The combined influences of a decline in the birth rate, the increase in life expectancy and the curtailment of the number of younger people immigrating to our country contributed to this dramatic population increase in the ranks of the senior citizens.

"The increase in the proportion of older people has been accompanied by a decline in the employment opportunities of the aged," McGill continued. "In 1890, 38.7% of all persons aged 65 and over were in the labor force, while in 1960, only 19.2% were in that category. This decline has taken place chiefly among the aged male... . Many factors have contributed to the decline in the labor force participation by the aged, but one of the most significant, without question, has been the transition from agrarian and essentially rural economy to an industrial and predominantly urbanized economy." This latter development has tended to weaken family ties, with the result that the role of children as a means of financial support for their parents has decreased, and society is looking increasingly to government and employers for old-age support.

"The implications of the foregoing," McGill concludes, "are broadened by the lesser capacity of the individual to save for his own old age maintenance." The more extensive choice of goods due to our technological advances, installment credit, the inexorable rise in personal and corporate income taxes, inflation and the influence of the great depression upon many of the aged of today have all contributed to making personal saving more difficult.

Specific Problems of Teacher Retirement

Teachers of retirement age have the same needs as people in any other segment of the general population. They have the need for financial, social and emotional security. They have the need to feel wanted. They have the need for self-respect and dignity.

They are influenced in varying degrees by the population explosion, the difficulty of personal saving, the mobility of the population, the urbanization of the country, the weaker family ties and the prospect of a longer life.

Thus, most working people in general and specifically those in a given group have similar retirement problems in varying degrees. However, for the sake of our present discussion we will list major problem areas facing teachers looking ahead to retirement.

The "Seven Golden Goals" or problem areas of teacher retirement are:

1. The amount of the basic retirement allowance.
2. Benefits for the disabled teacher and dependents.
3. Survivorship benefits for dependents if a teacher dies before retirement.
4. Survivorship benefits for dependents of teachers who die after retirement.
5. Protection of the purchasing power of the original retirement allowance of the retired teacher.
6. Protection of the retirement rights of the mobile teacher who moves from one state to another.
7. The opportunity for teacher participation in the decision-making processes of the retirement system. This would include a voice in the investment of retirement system funds.

Thus, in this first section we have investigated in general some of the major problem areas facing the teacher looking ahead to retirement. In the next section, Part II (How the Problem of Teacher Retirement is Being Resolved in the United States) we shall discuss the various ways presently employed to endeavor to solve these problems of teacher retirement.

Part II

HOW THE PROBLEM OF TEACHER RETIREMENT IN THE UNITED STATES IS BEING RESOLVED

The key to understanding a teacher retirement system is found not only in the analysis of the present structure and function of a given system, but consideration must also be focused upon its geographic location, size, historical background and philosophical orientation.

This section is divided into four major sub-sections which include:

Historical and Philosophical Background; State-wide Systems to which Teachers Belong; Size of the System; Social Security and Teacher Retirement.

Our emphasis is upon the state-wide systems. However, some 16 of the major 25 separate school city retirement systems are considered. The crucial importance of these systems is stressed in the 1967 Census of Governments which reports that although these local retirement systems have only about 215,000 members, their benefit operations contribute materially to the all-government totals.

Chapter 2
HISTORICAL AND PHILOSOPHICAL BACKGROUND

The philosophical, social and economic history of our country is mirrored in the development of retirement plans in general and teacher retirement systems specifically.

A most vivid portrayal of this development is discussed in *Social Security Programs of the United States.*[78] It notes that in the beginning, our nation was an expanding country with a vast frontier and a predominantly agricultural economy.

Virtually unrestricted opportunities were offered to a rapidly growing population – an abundance of rich natural resources. These and an open frontier firmly established in the American tradition the concept of the "rugged individualist" who, through hard work, initiative and thrift, could be expected to accumulate sufficient resources to meet any future threats to his economic security.

In addition, this faith in individualism was fortified by the fact that during this early period most people extracted their livelihood from the soil and depended in a large part upon their skills and industry in producing or procuring goods for their own consumption. Economic disasters and personal catastrophes might occur, but as long as the person lived in an economically self-contained society with closely knit family and communal ties, the threats to his economic security could be minimized.

Until just about 100 years ago, more than half the nation's adult workers were farmers. In the years that followed, however, industry developed rapidly, and the economy tended increasingly to be characterized by industrialization, specialization and urbanization. The result was, increasingly, a nation of more employees working for wages and, proportionately, fewer independent farmers, artisans, and tradesmen engaged in family enterprises.

Hired workers and their families, and, increasingly, farmers as well as the non-farm self-employed, found themselves almost completely dependent upon a continuing flow of money income to provide themselves and their families with the necessities of life. Any misfortune that interrupted their current income could mean destitution.

This shift from a predominantly agricultural to a highly mechanized interdependent society, while tremendously increasing the productive capacity of the nation and providing the basis for an ever increasing standard of living, created new risks to family security and lessened the ability to take care of their own members.

The severe depression of the 1930's dramatized the fact that many American workers were now almost universally dependent on factors beyond their individual control for their economic security. Previous methods utilized to meet the economic risks of unemployment, old age, death and disability no longer proved adequate or guaranteed security in the face of nation-wide economic disaster.

The Development of Teacher Retirement Systems

Retirement plans in the United States may be classified as either public employee plans or private plans. Teachers' retirement plans fall into the public employee category. Although, in general, each group tends to have its own distinctive characteristics, their history indicates that changes in one area have repercussions in the other. For example, private pension plans were modified after the introduction of the public Social Security Plan.

The development of state and local retirement systems in the latter part of the 19th century represented one of the first public efforts in this country to protect the workers against the risks of old age, disability, and premature death.

The earliest of these systems confined their coverage to special groups of employees such as teachers, policemen, firemen and judges, and generally provided limited benefits only in the event of death and disability.

They were usually locally administered systems financed entirely by the employing governing body or by the teachers themselves. Funds were obtained from sporadic appropriations.[72]

Beginning in the latter part of the 19th century, a major nation-wide growth in retirement systems with teacher members took place.

One of the early retirement systems was established for public school teachers in California in 1895 when the legislators approved "an act to create and administer a Public School Teacher Annuity and Retirement Fund in the several counties and cities of the state."

Under this act, California teachers were entitled to a retirement salary of $50 per month after 25 years of service. If incapacitated from performing duties as a teacher, after 20 years of service, the allowance was $45 per month. Payments were made out of the fund in the different counties of the state in proportion to the length of time taught by a teacher in each county.

The first local city and county retirement plans which were established by the act of 1895 remained in operation for some 18 years until the State Teachers' Retirement Act of 1913 was passed by the legislature. This act marked the beginning of contributory retirement plans for the teachers of California.

In this example of the evolution of teacher retirement in California, a number of historic developments may be noted. The original act provided for a fund and not a system on a local or county basis with a non-contributory arrangement.

Funding was the sole responsibility of the county, and the retirement allowance was based only on the length of time taught in the county. This type of plan is the service annuity plan of retirement which presently exists only in the state of Kansas, but it was one of the more popular types of plans in days gone by.

The next state in the development of retirement systems is illustrated by the conversion of the Public School Teacher Annuity and Retirement Fund to the state system on a contributory basis.

The teachers' pension plan of New Jersey, which was established in 1896, is probably the oldest state-wide contributory retirement plan for all government employees.

Writing in their book "Pensions for Teachers"[7] Goldman, Johnson and Wittes report that the Teachers' Retirement System of New York City was established on August 1, 1917. The New York State Teachers Retirement Fund was established in 1911. The type of plan was money purchase. The present state system became effective in 1921.

It is interesting to note that originally many teacher retirement plans were non-contributory, and then they became contributory. It is possible that a new trend is setting in again as Delaware and then New York State in 1968 established non-contributory plans.

A Brief History of Private Pension Plans

A more complete understanding of teacher retirement systems is possible if the major historical developments of the

private pension movement are considered.

Although the first private pension plan in the United States was established by the American Express Company in 1875, large scale development of private plans didn't take place until World War II. *(Pension Systems in the USA)*

By the time of World War II, the Social Security Act had been in operation long enough to act as an important stimulus to the development of private plans. In addition, these plans provided a means of attracting and holding employees. During the war, wages and prices were frozen, and an employer's contribution to a pension plan represented a form of compensation.

After the war, additional impetus was given to the creation of pension plans by union demands for pension plans as fringe benefits. These demands were fortified by the success of the United Mine Workers in 1956 in negotiating the establishment of a fund to provide health and welfare benefits.

Another important development at about this time was the Supreme Court decision in the *Inland Steel* case in 1948 which upheld the determination of the National Labor Relations Board that the company retirement plan was a proper subject for collective bargaining.

A publication of the Institute of Life Insurance[9] noted that up to this, provisions for pensions weren't common in collective bargaining agreements and, in fact, in earlier years trade unions viewed pensions as a device calculated to hinder the organization of labor. Workers resorting to strikes, for example, were threatened with the loss of their pension rights.

It is interesting to observe that in the 1969 session of the Connecticut legislature, a bill was introduced to accomplish this very purpose – take away pension rights of teachers who went on strike. This legislation was defeated.

The years since 1950 have witnessed a rapid expansion of the private pension movement. For example, in 1950 the book value of assets held in private pension plans was $11.7 billion, and only twelve years later, in 1962, the book value was $60.7 billion.

In summary, the rapid growth of the private pension movement is related to a number of factors. These include: the establishment of Social Security which formed a base upon which private pensions could be built; World War II with the resulting wage and price freeze which made pensions attractive to business as a method of holding employees; union emphasis upon the development of pensions as fringe benefits and the Supreme Court decision in the *Inland Steel* case which found that pensions are subject to collective bargaining and could be considered as deferred wages.

Historic Development of Public Pension Plans

In the same way that a more complete understanding of teacher retirement may be gained from a knowledge of the development of private pension plans, additional insight into teacher retirement may also be obtained by the awareness of developments in other sectors of the public pension field.

The Institute of Life Insurance[9] states that government administered retirement systems for members of the civilian labor force in the United States fall into the following four main categories, with the first three being administered by the Federal Government and the fourth by local and state governments.

1. Retirement plans for federal civilian employees.
2. Railroad retirement system.
3. OASDHI-Old age, Survivors, Disability and Health Insurance Program (Social Security).
4. Retirement systems of local and state governmental units. (Teacher retirement plans are found in this category.)

1. There are at least 12 separate retirement plans for Federal Government employees. The largest of these is the Civil Service Retirement Program which was established in 1920 and is administered by the Civil Service Commission.

At the end of 1967 there were about 2.3 million members of the system. This system provides life insurance, retirement benefits, health insurance and workmen's compensation programs. In 1965 it accumulated assets amounting to $16 billion.

It is a contributory system whereby employees contribute 6 1/2% of total salary, and the law requires current matching payments from the employer which is the Federal Government.

Some of the larger separate federal employees retirement plans in addition to civil service are the Tennessee Valley Authority Retirement System, the Foreign Service Retirement System and the Retirement System of the Federal Reserve Banks, including the Bank Plan and the Board of Governors' Plan.

It is of interest to find that federal employees have mobility in the respect that they move about the country without the impairment of their pension rights.

Important Federal non-contributory retirement systems include the Federal Judiciary Retirement System and the Armed Forces Retirement System.

A liberal retirement plan is provided for career personnel in the Armed Forces with at least 20 years of service. The plan is non-contributory with the government completely financing the system. The retirement allowance formula after 20 years is 2 1/2% of monthly base pay at the time of retirement times years of service to a maximum of 75% of pay.

Both the civil service and Armed Forces retirants have their retirement allowance adjusted according to the change in the cost of living, and both systems permit mobility of their members before retirement without being penalized by the loss of retirement benefits. In addition, members of the Armed Forces are also covered by Social Security (OASDHI).

2. The railroad retirement system is unique in the United States pension field because it is operated for a group of private employees but is underwritten by the Federal Government.

The Railroad Social Insurance Program is administered by the Railroad Retirement Board which is the federal agency operating the system. In 1967 about 700,000 persons were covered by the system.

The system is divided into two parts. The areas of old age retirement, disability and death protection are covered by the Railroad Retirement Act which was passed in 1937, while the Railroad Unemployment Insurance Act was passed in 1939 and is concerned with unemployment.

The portion of the system covered by the Railroad Retirement Act is a contributory arrangement whereby both employee and the Federal Government pay one-half of a total of 17.8% of wages. Funds to support the railroad unemployment and sickness benefit programs are supplied by contributions collected solely from railroad employees.

Generally, to be completely insured for railroad benefits at death, an employee, in addition to having 10 years of railroad service, must have a current connection with the railroad industry.

The Railroad Retirement Act is indirectly a part of the Social Security system. This point is illustrated by the fact that if an employee has less than 10 years of railroad service and leaves the railroad, his railroad retirement benefits will be converted into Social Security credits.

This relationship between the railroad retirement system and Social Security is observed by Abraham M. Niessen, chief actuary and director of research of the Railroad Retirement Board. Writing in the *Social Security Bulletin*, he states, "Attempts at some measure of coordination between the Railroad Retirement and the Social Security systems were made as early as 1937."

"The Railroad Retirement Act," he continued, "enacted on

June 24, 1937, contained a provision guaranteeing that monthly benefits under the act were to be at least equal to what Social Security would have paid on the basis of the railroad service involved."

The average retirement allowance to an employee who retired because of age in 1967 was $180 a month, and to a disabled employee $153 monthly.

3. The Social Security system will be considered in detail in a future chapter. However, we may note here that when the Social Security Act was passed in 1935, employees of state and local government were among the many employment groups which were excluded from coverage for a variety of legal and administrative reasons.

The 1951 amendments to the Act permitted coverage, under an agreement between the state and federal government and at the option of the state, of those employees not under retirement system.

Because most teachers in 1951 were members of a retirement system, the 1951 Social Security amendment did not directly affect teacher retirement.

TABLE 1

Dates the Present State-wide Retirement Systems (to Which Teachers Belong) Were Established

Name of System	Date Established
Teachers' Retirement System of Alabama	1941
Teachers' Retirement System of Alaska	1945
Arizona State Retirement System	1955 (a)
The Teacher Retirement System of Arkansas	1937
State Teachers' Retirement System of California	1913 (b)
Public Employees' Retirement Association of Colorado	1944 (c)
Connecticut Teachers' Retirement System	1917
State of Delaware Retirement System	NA (d)
Teachers' Retirement System of the State of Florida	1939
Teachers' Retirement System of Georgia	1945
Employees' Retirement System of Hawaii	1926
Public Employee Retirement System of Idaho	1965 (e)
Teachers' Retirement System of the State of Illinois	1939
Indiana State Teachers' Retirement Fund	1921 (f)
Iowa Public Employees' Retirement System	1953 (g)
Kansas School Retirement System	1941
Teachers' Retirement System of the State of Kentucky	1940
Teachers' Retirement System of Louisiana	1936
Maine State Retirement System	1947 (h)
Teachers' Retirement System of the State of Maryland	1927
Massachusetts Teachers' Retirement System	1914 (i)
Michigan Public School Employees' Retirement System	1945 (j)
Minnesota State Teachers' Retirement Association	1931
Mississippi Public Employees' Retirement System	1952
The Public School Retirement System of Missouri	1946
The Teacher Retirement System of the State of Montana	1937
Nebraska School Employees' Retirement System	1945
Public Employees' Retirement System of the State of Nevada	1948 (k)
New Hampshire Retirement System	1967 (l)
The Teachers' Pension and Annuity Fund of New Jersey	1896
State of New Mexico Educational Retirement Board	1939
New York State Teachers' Retirement System	1921 (m)
Teachers' and State Employees' Retirement System of North Carolina	1941
North Dakota Teachers' Insurance and Retirement Fund	1913
The State Teachers' Retirement System of Ohio	1920
Teachers' Retirement System of Oklahoma	1943
Public Employees' Retirement System of the State of Oregon	1946
Pennsylvania Public School Employees' Retirement System	1917
Employees' Retirement System of the State of Rhode Island	1936
South Carolina Retirement System	1945
South Dakota State Teachers' Retirement System	1959 (n)
Tennessee Teachers' Retirement System	1945
Teacher Retirement System of Texas	1937
Utah State Retirement System	1967 (o)
State Teachers' Retirement System of Vermont	1947 (p)
Virginia Supplemental Retirement System	1952 (q)
Washington State Teachers' Retirement System	1938 (r)
West Virginia Teachers' Retirement System	1941
Wisconsin State Teachers' Retirement System	1921 (s)
Wyoming Retirement System	1943

(a) Arizona Teachers' Retirement System established in 1943
(b) Local teachers retirement established in 1895
(c) Teachers could join state employees retirement system in 1943
(d) Information not available
(e) Teachers retirement system established in 1943 and merged with public employee retirement system in 1967
(f) Teacher retirement on local basis in 1915
(g) State old age and survivors insurance system established in 1946
(h) Established 1942, teachers joined in 1947
(i) Received present name in 1946
(j) Established in 1916 as a Teachers' Retirement System
(k) In 1949 teacher retirement system absorbed into public employees system
(l) New system established in 1967 and teachers became part of it
(m) New York State Teachers Retirement Fund established in 1911
(n) Old system abolished in 1951 when Social Security was adopted
(o) Teacher retirement system established in 1937 and then expanded in 1945 to include all other fulltime school employees. Combined into a new state system in 1967
(p) Voluntary membership system established in 1919
(q) Pension plan for teachers since 1908. State system in 1942 and a revision of system in 1952 when Social Security was adopted.
(r) Local retirement law in 1917. First state-wide system in 1923
(s) The system was established in 1921 to replace the Teachers' Insurance and Retirement Fund created in 1911

However, legislation enacted in 1954 made OASDHI coverage available to most employees under retirement systems, provided the group of employees involved voted in favor of coverage.

The 1954 Social Security did have a vast impact on teacher retirement in this country as we shall see in the chapter on Social Security.

Presently teachers in 37 states representing about 60% of the nation's teachers have Social Security in some form related to the benefits from the state or local system.

4. State and local government employee plans number 2,165 as reported by the 1967 Census of Governments. At the end of their 1966-67 fiscal year, these systems had a total membership of 7.1 million persons and financial assets totaling 39.3 billion dollars. Of this amount, teachers' and school employees' retirement funds were almost 16 billion.

Thus, in examining the history of public pension systems, we find that the pattern of adopting government employee retirement systems seems to have been, first, to establish plans for policemen and firemen; second, to extend them to teachers, and finally, to other public employees.

The observation may be made that the new ideas and programs and interest generated in general in both the public and private pension fields have had a most positive influence upon teacher retirement.

The Concept of the Earned Right

The concept of the earned right is a most fascinating idea, and it is a fundamental consideration when considering the philosophical aspects of pensions.

In the beginning, before the days of organized retirement systems, pensions consisted of small cash payments after retirement, generally paid by the employer in recognition of long, faithful and often underpaid service by long-suffering employees.

These payments were more or less designed in a fuzzy way to reward service, fulfill a moral commitment and provide a degree of financial security because of the loss of income. This arrangement fitted in with the prevailing rugged individualist frontier philosophy of the day in a rural self-contained society.

Philosophically this concept of retirement is the charity or gratuitous view whereby the employer voluntarily gave after-retirement benefits. The inference here is that the employee had not earned this pension right, but it was granted to him at the whim of the employer.

There is evidence that a number of private and governmental employers today subscribe to this philosophy.

Richard E. Shoemaker, assistant director for welfare and pension plans for the national AFL-CIO, advocates a different philosophical approach to pensions.[23] "The paternalistic employer regards a pension," he writes, "as a gift or gratuity granted as an act of benevolence, or moral duty, to his old and faithful employees. Employer-sponsored plans usually reflect this philosophy.

"Unions don't bargain for gifts or gratuities," Shoemaker continued, "they bargain for wages and conditions of employment. The negotiations of the labor contract is a transaction between equal parties in which equal values are exchanged—not a petition to a benefactor or charity toward a group of old retainers.

"A pension plan is not, therefore a conditional or discretionary gift by the employer," he concluded, "rather it is current wages withheld to pay a life annuity on retirement - a group saving plan with insurance or risk-sharing features required by the terms of the contract."

This second philosophical approach is discussed in an article in the *National Underwriter.* Speaking of vesting, the author declares, "Social Security is a right granted all working men as provided by law; union pension benefits are a right bestowed on all qualified employees as negotiated for by proper bargaining units; private pension benefits are just that—benefits granted voluntarily, having their roots in certain business needs deemed by management to be best handled through properly designed plans."

The argument here is that Social Security in 1935 and the right to negotiate pensions in 1948 were passed as law and therefore constitute earned rights. However, vesting is a benefit of private pensions which has not any basis in the law, and therefore is not an earned right.

An interesting presentation of the employer's philosophy of pensions in the 1920's is found in a publication of the Institute of Life Insurance. It is reported that private pension plans in general in operation at this time were in large scale enterprises set up upon the initiative of employers and financed primarily by employers' contributions.

Although the plans were formal in nature, pensions were granted at the discretion of management. By "formal and discretionary" is meant that the employer promised to pay retirement benefits to employees reaching a minimum age after having completed a specific number of years of service, but he explicitly denied any legal obligation to pay such a benefit if unable to do so.

The workers were given no voice in the operation of the retirement plan, and the employer reserved to himself discretionary powers regarding payment or withholding of benefits.

In many areas of the nation this same philosophy prevails today. In many states classroom teachers are not permitted to participate in the decision-making processes of the retirement system including a voice in the investment of retirement funds.

Chapter 3
THE DISTRIBUTION OF CLASSROOM TEACHERS BY GEOGRAPHIC REGIONS

This present discussion could most easily have been included as only a sub-section elsewhere. However, for real understanding of teacher retirement systems, it is important to consider these related factors: geographic location, teacher participation, and number of teachers involved.

The purpose of our present investigation is to call attention to the size and geographic factors. Some of their implications will be developed in future chapters.

Our first step in this examination was to follow the guidelines set-up by Leon H. Keyserling in his book, "Achieving National Educational Excellence."[10] He divided the United States into eight regions (see table 2).

The next step was to properly distribute the nation's 1,837,000 classroom teachers (1968) in these eight regions. Following are the eight regions with the percentage of the country's classroom teachers in each:

1. New England	6%	5. Plains	9%
2. Mid-East	19%	6. Rocky Mountains	3%
3. South East	22%	7. South West	9%
4. Great Lakes	19%	8. Far West	13%

We thus see a concentration of classroom teachers in the Mid-East, South East and Great Lakes regions and a lesser number of classroom teachers in the Plains, Rocky Mountains, South West and Far West. It may be noted that California in the Far West and Texas in the South West increase the percentages in their respective regions.

TABLE 2

States Ranked According to the Number of Classroom Teachers in 1968 (a)

State	No. Teachers	Rank	State	No. Teachers	Rank
California	170,000	1	Kansas	24,000	26
New York	161,000	2	Colorado	23,000	27
Texas	108,000	3	Mississippi	21,000	28
Illinois	96,000	4	Oregon	21,000	28
Pennsylvania	91,000	5	Arkansas	19,000	29
Ohio	90,000	6	Arizona	17,000	30
Michigan	82,000	7	Nebraska	16,000	31
New Jersey	60,000	8	West Virginia	16,000	31
Florida	53,000	9	New Mexico	11,000	32
North Carolina	48,000	10	Utah	11,000	32
Indiana	47,000	11	Maine	10,000	33
Massachusetts	47,000	11	South Dakota	9,000	34
Virginia	46,000	12	Idaho	8,000	35
Georgia	43,000	13	Montana	8,000	35
Wisconsin	42,000	14	Rhode Island	8,000	35
Missouri	40,000	15	Hawaii	7,000	36
Minnesota	38,000	16	North Dakota	7,000	36
Louisiana	37,000	17	New Hampshire	6,000	37
Maryland	36,000	18	Delaware	5,000	38
Tennessee	33,000	19	Nevada	5,000	38
Alabama	32,000	20	Vermont	4,000	39
Iowa	31,000	21	Wyoming	4,000	39
Washington	31,000	21	Alaska	3,000	40
Connecticut	29,000	22			
Kentucky	28,000	23			
South Carolina	26,000	24			
Oklahoma	25,000	25			

(a) *Pocket Data Book-1969*, U.S. Bureau of Census p. 160. (Total number of teachers 1,837,000; 1,031,000 elementary, 806,000 secondary)

TABLE 3

A Geographical Breakdown of the States by Regions

New England	Mid-East	South East	Great Lakes	Plains	Rocky Mountains
Connecticut	Delaware	Alabama	Illinois	Iowa	Colorado
Maine	Maryland	Arkansas	Indiana	Kansas	Idaho
Massachusetts	New Jersey	Florida	Michigan	Minnesota	Montana
New Hampshire	New York	Georgia	Ohio	Missouri	Utah
Rhode Island	Pennsylvania	Kentucky	Wisconsin	Nebraska	Wyoming
Vermont		Louisiana		North Dakota	
		Mississippi		South Dakota	
		North Carolina			
		South Carolina	South West	Far West	Other
		Tennessee	Arizona	California	Alaska
		Virginia	New Mexico	Nevada	Hawaii
		West Virginia	Oklahoma	Oregon	
			Texas	Washington	

TABLE 4

The Distribution of Classroom Teachers by Geographic Regions
(combination of Tables 1 and 2)

Region	No. Teachers	Rank
New England		
Connecticut	29,000	22
Maine	10,000	33
Massachusetts	47,000	11
New Hampshire	6,000	37
Rhode Island	8,000	35
Vermont	4,000	39
	104,000	
Mid-East		
Delaware	5,000	38
Maryland	36,000	18
New Jersey	60,000	8
New York	161,000	2
Pennsylvania	91,000	5
	353,000	
South East		
Alabama	32,000	20
Arkansas	19,000	29
Florida	53,000	9
Georgia	43,000	13
Kentucky	28,000	23
Louisiana	37,000	17
Mississippi	21,000	28
North Carolina	48,000	10
South Carolina	26,000	24
Tennessee	33,000	19
Virginia	46,000	12
West Virginia	16,000	31
	402,000	

Region	No. Teachers	Rank
Great Lakes		
Illinois	96,000	4
Indiana	47,000	11
Michigan	82,000	7
Ohio	90,000	6
Wisconsin	42,000	14
	357,000	
Plains		
Iowa	31,000	21
Kansas	24,000	26
Minnesota	38,000	16
Missouri	40,000	15
Nebraska	16,000	31
North Dakota	7,000	36
South Dakota	9,000	34
	165,000	
Rocky Mountain		
Colorado	23,000	27
Idaho	8,000	35
Montana	8,000	35
Utah	11,000	32
Wyoming	4,000	39
	54,000	
South West		
Arizona	17,000	30
New Mexico	11,000	32
Oklahoma	25,000	25
Texas	108,000	3
	161,000	

(continued)

TABLE 4 (continued)

The Distribution of Classroom Teachers by Geographic Regions
(combination of Tables 1 and 2)

Region	No. Teachers	Rank
Other		
Alaska	3,000	42
Hawaii	7,000	37

Region	No. Teachers	Rank
Far West		
California	170,000	1
Nevada	5,000	38
Oregon	21,000	28
Washington	31,000	21
	227,000	

Approximate Regional Percentage

New England	6%	Plains	9%
Mid-East	19%	Rocky Mountains	3%
South East	22%	South West	9%
Great Lakes	20%	Far West	13%

Chapter 4
AN OVERALL VIEW OF RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG

The Purpose of Teacher Retirement Systems

As beauty is in the eyes of the beholder, the purposes of teacher retirement are found in the eyes of the viewer.

The viewer may be the teacher as an employee, members of a governmental unit as the employer or the people in the community. Each may regard the purposes of teacher retirement differently.

From the teacher's position the heart of a retirement plan is to provide a pension to replace the loss of income from retirement. Shoemaker[23] stresses this thought as he writes, "the primary purpose of a pension plan is to provide a pension or annuity to employees when they retire. All other possible benefit provisions must be subsidiary to this main purpose. The amount of the pension is determined by the retirement benefit formula."

"Of course, the basic purpose of a private pension plan," Bernstein[3] writes in a similar vein, "is to provide income to those who have worked and who retire from choice or necessity."

This notion of a plan to replace lost income from retirement is reflected in the development of the Social Security program. It was the first major consideration of the OASDHI program.

The Social Security Act signed into law on August 14, 1935 instituted a federal system of old age benefits for retired workers who had been employed in industry or commerce. The family, disability and health benefits were added to the basic retirement program at later dates.

There tends to be general agreement in the literature that the cardinal purpose of retirement systems is to provide income to retirants.

Although the original and prime purpose of a teacher retirement program was and is adequate after retirement income, additional benefits have, over the years, come to be associated with a teacher retirement system.

Thus, the major purpose of a state-wide retirement system in which teachers are members would include a reasonable after-retirement allowance which would be protected from the erosion of inflation, acceptable provision for survivorship benefits for the dependents of teachers who die either before or after retirement, the opportunity to move from one state to another without being penalized, and the chance to participate in the decision-making processes of the retirement system, which would include a voice in the investment of retirement system funds.

Now, what is the primary purpose or purposes of a retirement plan from the public employer's point of view?

The purpose of a private pension plan from the vantage point of a private employer is well documented. Frequently the prime purpose would be to have the plan operate in such a manner as to best achieve the objectives of that particular business.

The answer to what are the pension purposes of public employers is not well documented and is most complex.

In a city-wide teachers' retirement system, the employer would be the board of education which would be concerned with the yearly employment of the teacher. It is also closely related to public retirement fund payments.

However, the problem arises when we discuss state-wide retirement systems in which teachers are members.

The teachers generally are employed by local governmental bodies, but for pension purposes the public contributions nation-wide most often are derived from the state.

The public pension fund money comes from the state taxpayers and is appropriated by their representatives in the general assembly with the approval of the governor. Basic retirement system policy changes may also be made by the general assembly.

Most often some type of retirement board sets the policy and is responsible for the overall administration of the system. Frequently the comptroller, state treasurer, the banking and sometimes the insurance commissioners are involved with the financial aspects of the fund.

The day by day operation of the system is under the direction of a person or persons usually selected by the retirement board.

The entire process functions within a political framework, and in effect there are different employers at various levels of the operation.

The question now is what are the retirement system purposes of these various employers? Two assumptions may here be made. (1) The taxpayer is frequently forgotten. (2) The employers are business men or business-minded, and thus influenced by the business philosophy of private pensions.

This philosophy more often than not advocates the charity concept of retirement and holds that employer pension payments are gifts and are not an earned right.

The second assumption which may be advanced is (again with the exception of the taxpayer), that to various degrees political considerations are a common ingredient to all these employers.

Now for the sake of discussion it may therefore be concluded that this charity concept of retirement may be modified or changed by political means.

An example of these two assumptions at work may be seen in the treatment of the retired teachers by the majority of the states of the nation. To illustrate this, we may cite the case of Connecticut. Almost any state in the nation could be cited with just about the same results.

Historically, the retired teachers of Connecticut were given meager cost of living after-retirement allowances by the state. The result was that many retired teachers were on the welfare rolls and were forced to work as domestic servants because inflation was eating away their original retirement allowance.

Then as a result of active political actions at the last two sessions of the legislature by various groups which saw the Connecticut State Federation of Teachers play a leading role, the law was changed whereby the retirement allowance of retirants would be revised periodically in relationship to the consumer price index.

Every community has a vital interest in the retirement systems to which teachers belong throughout the nation.

The community is composed of taxpayers who will pay many times over for retirement systems which are not currently or properly funded.

The community is composed of citizens who benefit from a healthy and expanding economy which could be aided by the investment in common stocks of a significant portion of the $16 billion in retirement funds to which teachers belong.

The community consists of people interested in seeing that those who have made their contribution to society retire and live in dignity.

Classification of Retirement Systems to which Teachers Belong

In answer to the question as to what is a retirement system, it is necessary first to determine the difference between a retirement system and a retirement plan.

Often these terms are used interchangeably. A retirement system has the connotation of an overall operation of which a given retirement plan is the keystone. For example, the Massachusetts Teacher Retirement System uses a final average salary plan as does the Teachers' Retirement System of the City of New York.

Retirement systems to which teachers belong may be classified according to the composition of the membership and the type of agency which administers the system. Three major types of retirement systems found in the United States are:

1. Teacher Retirement Systems.
2. Public Employees Retirement Systems.
3. Educational or School Employees Retirement Systems.

These systems, or modifications of them, are found in the 50 state-wide and some 25 major local city retirement systems to which teachers belong.

In the pure form only teachers are members of a teacher retirement system. In other forms, all public employees, in addition to teachers, of a state or a specific city, are members of public employee retirement systems. The educational or school employee retirement system in one respect is an extension of the teacher retirement system, and anyone concerned with the educational process (researchers, custodians, secretaries) may be members.

Thus we find that the Teachers Retirement System of the State of Georgia administers the retirement program, while teachers in Nevada are members of the Public Employees Retirement System of Nevada which also includes all state employees and regular employees of covered counties or other political divisions. All employees of the city of Baltimore are members of the Employees' Retirement System of the City of Baltimore.

The third type of system to which teachers may belong is found in Michigan. The Michigan Public School Employees' Retirement System is the administrating agency and includes all public school employees, with the exception of those in Detroit who have their own local plan, employees of the state technical colleges, executive secretary of the retirement system and qualified system employees, persons engaged in education research and certified employees of the high school athletic association.

Out of the 50 state-wide systems in which teachers are members, more than half (54%) are state-wide teacher systems, while public employee systems comprise 34% and the educational or school employee retirement systems make up the remaining 12%.

We have noted that the central part of a retirement system is the retirement plan. Public retirement system plans may be classified in different ways, but for the sake of our discussion plans may be categorized on the basis of the formula used to determine the normal retirement allowance.

On this basis we have five plans which are in general use.

The five retirement plans used by state-wide systems to which teachers belong are:

1. Final Average Salary Plan.
2. Money Purchase Plan.
3. Money Purchase and Final Average Salary Combination.
4. Life-time Contribution Plan.
5. Service Annuity Plan.

All the above plans contain provisions defining the requirements for both the right to retire which generally includes age and service requirements and a method of determining the amount of the normal retirement allowance.

The final average salary plan is the most popular and uses a formula arrangement, while the money purchase plan is the next one most commonly used. Only Kansas still has the service annuity plan. Nebraska changed from this plan to a final average plan in 1968.

The final average salary plan is increasing in popularity. For various reasons, the other types of plans which were common in the earlier days of the development of pension systems are becoming less prevalent.

A detailed discussion of these plans will be found in a following chapter addressed to normal retirement allowance plans.

As a passing point of interest it may be recorded that pension plans in the private pension field may be divided into the following three categories:

1. Contributory and Non-contributory Plans.
2. Insured and Trusteed Plans.
3. Conventional and "Pattern" Plans.

Contributory plans call for a portion of the cost to be financed by the employee through payroll deductions, while the employer pays the full cost of a non-contributory plan.

Under insured plans insurance companies receive employer's contributions and are responsible for the payment of benefits. Trusteed plans provide for investments of contributions through a trustee who is usually a bank administrator. The management of the plan may be jointly by the employer and the union. It may be by the union, when contributions are made to a union welfare plan.

Benefits under conventional plans are generally related to the employee's earning level and years of service while "pattern" plans provide flat rate benefits geared to years of service and without regard to earning level—the industrial version of the service annuity plan.

Basic Structure of a Retirement System for Teachers

The skeletal structure of retirement systems may be considered to include the following nine areas:

1. Administration of system.
2. Method of funding (sources of finance).
3. Normal retirement allowance plan.
4. Means of protecting the purchasing power of the retirement allowance of retirants.
5. Death and survivorship benefits for dependents of teachers who die after retirement.
6. Methods of protecting the pension rights of the mobile teacher.
7. Death and survivorship benefits for dependents of teachers who die before retirement.
8. Provisions for disability retirement.
9. Provisions related to early and compulsory retirement.

Following is a brief and oversimplified statement about each of the above nine points. A future chapter will be devoted to a discussion of each of them.

1. Administration of System

The administering agency in effect coordinates the activities of the other eight parts of the system. It carries out established policy and recommends future policy concerning the system's operation, which includes the investment of funds.

2. Funding

The funding aspects of the system includes the area of the sources of finance for the system. Although the states of Delaware and New York contribute all of the pension funds, the majority of systems are financed both by teacher payments and from public funds.

3. Normal Retirement Allowance Plan

This is the method used to determine both the right to retire and the way the retirement allowance is calculated. The normal retirement allowance plan is the heart of the retirement system.

4. Means of Protecting the Purchasing Power of the Retirement Allowance of Retirants

The erosion of the retirement allowance of retirants by inflation has made this one of the most critical considerations of teacher retirement. There are signs of the beginning of a national trend to adjust yearly the retirement allowance according to the identical change in the consumer price index.

5. Death and Survivorship Benefits for Dependents of Teachers Who Die after Retirement

Usually retirement plans contain provisions which offer various retirement plan options after retirement. These range from the program whereby the retirant receives the maximum benefits and after death there is no payment to beneficiaries, to programs of an equal sharing of the retirement allowance with beneficiaries.

6. Methods of Protecting the Pension Rights of the Mobile Teacher

The protection of the pension rights of the mobile teacher is one of the most urgent problems in teacher retirement. Discussion in this area includes vesting, out-of-state service, military service and some type of state-federal approach.

7. Death and Survivorship Benefits for Dependents of Teachers Who Die before Retirement

This is an established national trend for the system to provide a widow's benefit and benefits for minor children of teachers who die in active service. These survivorship allowances are in addition to Social Security.

8. Provisions for Disability Retirement

Although this area was one of the earlier considerations in the development of teacher retirement, adequate provisions related to age and length of service requirements and benefit level aren't widespread.

9. Provisions Concerning Early and Compulsory Retirement

Presently there is a national trend for members of both public and private retirement systems to retire at an earlier age. The area of compulsory retirement raises the questions of whether a person should be forced to retire and how old is too old.

TABLE 5

Types of State-wide Retirement Systems to Which Teachers Belong

I: State-wide Teachers Retirement Systems			II: State-wide Public Employee Systems to Which Teachers Belong		III: State-wide Education or School Employees Systems to Which Teachers Belong
Alabama	Kentucky	Ohio	[redacted]	New Hampshire	Kansas
Alaska	Louisiana	Oklahoma	Colorado	North Carolina	Michigan
Arkansas	Maryland	South Dakota	Delaware	Oregon	Missouri
California	Massachusetts	Tennessee	Hawaii	Rhode Island	Nebraska
Connecticut	Minnesota	Texas	Idaho	South Carolina	New Mexico
Florida	Montana	Vermont	Iowa	Utah	Pennsylvania
Georgia	New Jersey	Washington	Maine	Virginia	
Illinois	New York	West Virginia	Mississippi	Wyoming	
Indiana	North Dakota	Wisconsin	Nevada		

TABLE 6

Location of Major Local Retirement Systems for Teachers

By City		By State	
City	State		
Atlanta	Georgia	California	Los Angeles
Baltimore	Maryland		San Francisco
Boston	Massachusetts	Colorado	Denver
Chicago	Illinois	Delaware	Wilmington
Denver	Colorado	D. C.	Washington
Des Moines	Iowa	Georgia	Atlanta
Detroit	Michigan	Illinois	Chicago
Duluth	Minnesota	Iowa	Des Moines
Kansas City	Kansas	Kansas	Kansas City
Kansas City	Missouri	Louisiana	New Orleans
Knoxville	Tennessee	Maryland	Baltimore
Los Angeles	California	Massachusetts	Boston
Memphis	Tennessee	Michigan	Detroit
Milwaukee	Wisconsin	Minnesota	Duluth
Minneapolis	Minnesota		Minneapolis
New Orleans	Louisiana		St. Paul
New York City	New York	Missouri	Kansas City
Omaha	Nebraska		St. Louis
Portland	Oregon	Nebraska	Omaha
San Francisco	California	New York	New York City
St. Louis	Missouri	Oregon	Portland
St. Paul	Minnesota	Tennessee	Knoxville
Washington	District of Columbia		Memphis
Wilmington	Delaware	Wisconsin	Milwaukee

Chapter 5
ADMINISTRATION OF RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG

Throughout the United States the over-all administration of retirement systems of which teachers are members is usually under the direction of some type of retirement board or board of trustees.

These boards usually are composed of ex officio members such as the state superintendent of schools, the state treasurer and comptroller and perhaps the insurance commissioner. The other members of the board are either elected by the membership of the system or are appointed by the governor.

In 46% of the states the members elect the board while in 45% of the states they are selected by the governor. Alaska, Delaware, Iowa and South Carolina in effect do not have a retirement board, and the system management is in the province of state officials. For example, in Alaska the Commissioner of Administration is directly responsible for the teacher retirement program. A fourth method of selecting members of the retirement board is found only in Washington where the selection is made by the state board of education.

The most popular number of members on these boards nation-wide, including ex officio members, is either 5 or 7 (fourteen states each) members and the range is from 3 members in Iowa and Massachusetts to 12 members in California.

Nationally the retirement board members serve as few as two years in New Hampshire to six years in five other states while the most frequent term of office is four years as represented by 42% of the states.

In general the over-all responsibilities of these boards are to see that the retirement law is implemented, set policies, frequently [illegible] executive secretaries and other personnel to operate t[illegible] on a day to day basis, and often the boards must approve t[illegible] investment of retirement system funds.

Now because in most states the over-all administration of the retirement system is vested in the retirement board, we may now explore the opportunity that the classroom teacher has to serve on these boards and thereby take part in the decision-making processes of the system.

In 8 (or 16%) of the states the retirement law specifically requires that a classroom teacher serve as a member of the retirement board. Six of these eight states, interestingly, are all in the southeast region of the nation while the other two states are California and Washington.

In the other 42 states the opportunities for service by classroom teachers isn't as clear. For example, in about one-half the states (24) one teacher (or more) is designated to serve on the retirement board. At first we would assume that the term would mean a classroom teacher, but in practice, this isn't the case.

Depending upon the state, the term teacher could include not only classroom teachers but also superintendents, members of the state department of education, employees of the state and community colleges and other employees who may hold a teaching certificate.

A teacher in 1953 in Arizona was defined for retirement purposes as an employee of the state department of education.

Now another term used by five states is school employee, which could, but not necessarily, include classroom teachers. Thus, the Kansas School Retirement System is administered by a retirement board consisting of the state treasurer and the state superintendent as ex officio members, and one school employee and three others appointed by the governor.

In Kansas the term school employee could include all full-time public school employees; those in area vocational technical schools and junior and community colleges, the state superintendent and professional employees of the state department of education, employees of the state board of vocational education, county superintendents and professional staffs, and certified teachers in all state institutions.

Members of the system is another term used by eight states which could include classroom teachers, but not necessarily.

In Oregon we find that membership in the Public Employees Retirement System of Oregon includes all state government and school district employees.

The requirements for the Oregon retirement board includes 5 members who are appointed by the governor for four-year terms. Two members may not be employed by a public employer during their terms of office. The other three members of the board must be employees of participating employers-members of the system.

The 1967 Census of Government[57] reports stated that in 1967 there were 76,605 state employees in Oregon, and the 1969 *Pocket Data Book*[52] of the Commerce Department shows 21,000 classroom teachers in the state, which could indicate the difficulty of classroom teachers being appointed to the retirement board.

The evidence would seem to indicate that the influence of the classroom teacher as a member of the state retirement boards is most limited.

TABLE 7

The Administrative Structure of State-wide Teacher Retirement Systems

State	Retirement System Administered by:	Number Members	Teacher Member (s)	Selected by	Length of Term
Alabama	Board of Control	7	yes (a)	members	3 years
Alaska	Commissioner of Administration	0	no	0	0
Arizona	State Retirement Board	7	yes (b)	governor	5 years
Arkansas	Board of Trustees	10	yes (a)	members	5 years
California	Teachers' Retirement Board	12	yes (a)	governor	4 years
Colorado	Public Employees' Retirement Board	7	yes (b)	members	4 years
Connecticut	Teachers' Retirement Board	5	yes (b)	members	4 years

(continued)

TABLE 7 (continued)

The Administrative Structure of State-wide Teacher Retirement Systems

State	Retirement System Administered by:	Number Members	Teacher Member (s)	Selected by	Length of Term
Delaware	Trustees for Employee Contributions	4	no (b)	0	0
Florida	Board of Trustees	(c)	yes	governor	3 years
Georgia	Board of Trustees	9	yes (a)	members	3 years
Hawaii	Board of Trustees	7	yes (b)	members	6 years
Idaho	Public Employees' Retirement Board	5	(d)	governor	5 years
Illinois	Board of Trustees	5	yes (b)	members	4 years
Indiana	Board of Trustees	5	yes (b)	governor	4 years
Iowa	Iowa Employment Security Commission	3	no	0	0
Kansas	School Retirement Board	6	(e)	governor	4 years
Kentucky	Board of Trustees	7	yes (a)	members	4 years
Louisiana	Board of Trustees	9	yes (a)	members	3 years
Maine	Board of Trustees	7	yes (b)	governor	2 years
Maryland	Board of Trustees	5	yes (b)	members	4 years
Massachusetts	Teachers' Retirement Board	3	yes (b)	members	3 years
Michigan	Public School Employees' Retirement Board	7	yes (b)	governor	6 years
Minnesota	Board of Trustees	7	yes (b)	members	4 years
Mississippi	Public Employees Retirement Board	10	yes (a)	governor	4 years
Missouri	Board of Trustees	5	yes (d)	members	(c)
Montana	Teachers' Retirement Board	5	yes (b)	governor	4 years
Nebraska	Board of Educational Lands and Funds	5	(e)	governor	5 years
Nevada	Public Employees Retirement Board	5	(d)	governor	5 years
New Hampshire	Board of Trustees	11	yes (b)	governor	2 years
New Jersey	Teachers' Pension and Annuity Fund	6 (f)	yes (b)	members	(c)
New Mexico	Educational Retirement Board	7	(e)	members	4 years
New York	Teachers' Retirement Board	9	yes (b)	members	3 years
North Carolina	Board of Trustees	8	yes (b)	governor	4 years
North Dakota	Board of Trustees	5	(d)	governor	3 years
Ohio	Teachers' Retirement Board	5	yes (b)	members	4 years
Oklahoma	Board of Trustees	9	yes (b)	governor	5 years
Oregon	Public Employees' Retirement Board	5	(d)	governor	4 years
Pennsylvania	School Employees' Retirement Board	8	(d)	members	(c)
Rhode Island	Board of Trustees	9	yes (b)	members	3 years
South Carolina	State Budget and Control Board	5	no	0	0
South Dakota	Teachers' Retirement Board	7	(d)	governor	5 years
Tennessee	Board of Trustees	8	yes (b)	governor	3 years
Texas	Board of Trustees	7	yes (b)	governor	6 years
Utah	State Retirement Board	7	(e)	governor	6 years
Vermont	Board of Trustees	5	yes (d)	members	4 years
Virginia	Board of Trustees	9	yes (b)	governor	4 years
Washington	Board of Trustees	7	yes (a)	State Board of Education	3 years
West Virginia	Teachers' Retirement Board	7	yes (b)	members	6 years
Wisconsin	Teachers' Retirement Board	7	yes (b)	members	3 years
Wyoming	Wyoming Retirement Board	9	(e)	members	4 years

(a) Classroom teacher designated to serve on board
(b) The definition of teacher varies widely from state to state
(c) Information not available
(d) Members of system
(e) School employees
(f) One member appointed by governor

TABLE 8

Classification of Education Personnel Designated
to Serve as Members of State-wide Retirement Boards

Classroom Teacher Designation	Teacher Designation	Members of System Designation
Alabama	Arizona	Idaho
Arkansas	Colorado	Missouri
California	Connecticut	Nevada
Georgia	Florida	Oregon
Kentucky	Hawaii	North Dakota
Louisiana	Illinois	Pennsylvania
Mississippi	Indiana	South Dakota
Washington	Maine	Vermont
	Maryland	
School Employee Designation	Massachusetts	Educational Personnel Not Involved in Administration
	Michigan	
Kansas	Minnesota	Alaska
Nebraska	Montana	Delaware
New Mexico	New Hampshire	Iowa
Utah	New Jersey	South Carolina
Wyoming	New York	
	North Carolina	
	Ohio	
	Oklahoma	
	Rhode Island	
	Tennessee	
	Texas	
	Virginia	
	West Virginia	
	Wisconsin	

Chapter 6
THE FINANCIAL OPERATIONS OF STATE-WIDE RETIREMENT SYSTEMS

Money is the life's blood of the financial operations of retirement systems.

For this reason our discussion will center upon money: where it comes from, what happens to it after it enters the system, how it's invested and managed and then how it is used. Interwoven throughout this investigation is the theme of the relationship of cost to benefits received.

The Concept of Funding

The concept of funding is discussed by J. Frederick Bitzer, director, Group Annuity Field Relations for Aetna Life and Casualty Company. He writes,[27] "A simple accounting principle requires that a private employer set aside the funds for an employee's pension during each employee's lifetime. The liability for the pension is recognized as it occurs and the proper funds set aside to meet the liability.

"All such methods of fully funding plans," Bitzer continued, "in some way or other set up an amount to be paid each year for current benefits usually known as 'normal cost' and an amount for benefits for service before the effective date of the plan known as accrued liability which is generally paid over a period of years to ease the financial burden of making up for the period when the company had no pension plan.

"After the accrued liability is fully funded," he concludes, "the plan funding is on a current basis and only the normal cost has to be set aside each year."

William F. Marples, writing in a publication of the Pension Research Council, approaches the idea of funding from consideration of the cost of pension plans.

"The total cost of a pension plan in the final analysis is the aggregate of pension benefits actually paid to pensioners and their beneficiaries, plus the administrative costs, less investment income," he emphasizes, "the administrative costs are relatively minor expenditures and are apt to vary only slightly from one well-managed plan to another.

"The amount paid out in pensions will be determined by the size of the pensions, the number of persons who actually retire and claim them, and the length of time for which they are paid," he observes.

"The 'funding program' he concludes, "is what the employer does about the actuarial cost of a pension plan. If more money is paid into the fund than is disbursed immediately the procedure is known as 'funding'. Funding is the accumulation of money not required for immediate distribution. It may be noted that funding can be applied in arrears or in advance."

Professor Joseph Krislov of the University of Kentucky discusses funding and its relationship to benefit security, and he also defines the term unfunded.[38]

"The employer who establishes a private pension plan undertakes to provide certain benefits." The plan will cover, he reports, "both the members who are close to retirement and those who will retire in 50 years; of the members who retire some will die soon after retirement while others will live and draw benefits for 25 or 30 years. The plan's benefit payments will therefore be low in the initial years, increase rapidly in the subsequent years, and then level off between the 30th to 40th year.

"If the benefit payments were made only from the employer's general assets, there would be a heavy drain on these assets when the plan matures." To avoid this drain, Krislov records, "and to spread the cost of the plan more equitably through time, most employers make regular contributions to an insurance company or a trustee to finance benefits. The contributions in excess of benefit payments are accumulated and held by the insurance company or the trustee to provide future benefits. The process is termed 'funding.'

"The funding of a pension plan tends to increase the security of the benefit rights of the plan's members." He concluded, "benefit payments from a funded plan are made from a segregated fund specifically committed to the payment of benefits. Some employers, however, make benefit payments from their general assets or establish trust funds to which they make payments which are not specifically designed to 'defray' their plan's anticipated cost. These latter plans are termed 'unfunded.'"

An elementary philosophic principle of financing retirement systems is involved in the question of funded or unfunded plans, the funded plan being one in which both the employer and the employee make regular contributions to a reserve fund during the lifetime of the employee. In the unfunded plan, the employee makes regular contributions throughout his lifetime for retirement benefits, and the employer pays his share of the retirement allowance on a pay-as-you-go basis.

In effect the philosophic discussion is concerned with private and public pension plans.

For example, Krislov reports that most of the large pension plans are well funded, while Marples[13] calls attention to the fact that the largest of all public pension plans, Social Security, has little or no advance funding and in effect is rapidly becoming a pay-as-you-go plan.

The business philosophy of pension plans is reflected in a 1965 report on private pension funds in the United States by the President's Committee on Corporate Pension Funds. The committee concludes, "The specific recommendation of the committee is to fund fully all current service liabilities and to amortize fully all accrued liabilities over a period of not more than 30 years."

The public pension plan philosophy as seen by the unfunded condition of many state retirement systems is (1) that the state's obligations will always be met by the taxpayers, and (2) why bother about funding? The position here is that as long as there is a state, the money for pension plans will be available.

The question may be asked: to what extent should the principles involved in private pension practice be applied to state plans?

Bitzer,[27] who has had experience in both the private and public pension fields, points out that the Social Security contributory old age system is not a precedent, since it is a plan of the nation for its employed and self-employed citizens and not for its own employees.

"The next obvious step is to look at the Federal Civil Service Plan which covers employees of the federal government," he notes. The combined payments of the employee and his employing government agency is reported to amount to 13% of pay, and normal cost are estimated at 13.74%.

"At any rate," he stresses, "here we have an example of the national government with its powerful credit and taxing powers funding its employee plan to a greater extent than many states. If this is a rock-bottom guide for minimum funding, it would follow that no state would be justified in doing less than this, pay its share each year of the normal cost of its plan for its own employees.

"In other words, the state which does not fund its plan," he

concluded, "is not only saddling future generations with costs but those pensions will have to be paid entirely from employees and state contributions since there will be no interest earnings of consequence to help out."

In the same vein Marples states, "The argument for a funding program rests not so much upon the question of pension security as upon the strength or the desire to minimize the charge upon taxes. Indirectly, of course, the reduction of pension costs eases the perennial tax-raising problems and thus, by easing the general pressure of the current pension system, contributes indirectly to pension security and to the potential advancement of the pension benefit system."[13]

He concludes by writing, "The conclusion may be drawn that only governmental bodies with taxing powers can afford to ignore the prudent policy of setting up a funding program and, at that, probably the only plan in which this procedure can be justified is the federal OSADHI program. All other governmental plans should be following a funding program of adequate proportions and many of them would now be better off if such a program had been followed in the past."

This argument for the importance of funding by the state as an employer is supported by the experience of the Connecticut State Employees Association and the Connecticut Teachers Retirement System.

The critical financial straits of the pay-as-you-go Connecticut State Employees Retirement System is dramatically set forth in a January 2, 1969 article by Robert M. Conrad in the *Hartford Times* entitled, "Retirement Fund on Crutches."[30]

Conrad writes, "The state's pay-as-you-go retirement fund for its former employees has just about cashed-in. The only way the state can keep pace with the drain some 5,600 retired employees are putting on the pension system is to use more and more money than present employees contribute. Auditors who looked at the books on the State Employees Retirement Fund at the end of fiscal year on June 30, 1967 said it was more than $17 million behind. The figure could be close to $20 million now, they say.

"There is a question about whether to call this a deficit or something else. The so-called 'fund' isn't really a fund. The $20 million more accurately reflects the imbalance between the equity the small army of retired employees have in the fund and its present resources. To put it another way, the total in contributions these retired employees have made plus the fund's investment earnings and other regular moneys is sufficient only to cover possibly 25% of the retirement pensions.

"To make ends meet in its constantly losing battle, the state is pumping more each year into the fund by direct appropriations, and the operators of the fund must dip more deeply into current contributions. The pay-as-you-go system used in Connecticut was severely criticized in a 1967 report by Russell O. Hooker & Associates, consulting actuaries with offices on Constitution Plaza," Conrad continued.

"Their finds," he concluded, "showed that the retirement fund would be exhausted by mid-1976."

In comparison to the Connecticut State Employees Retirement System, the Connecticut Teachers' Retirement System is well funded with assets of $325,051,330 as of June 30, 1968. This total represents reserves of $184,798,797 in the teachers annuity saving fund, $139,132,673 in the state's pension fund, and $1,119,860 in the survivorship and dependency fund.

There are, however, danger signals on the horizon. We have been considering types of actuarial reserve funds where both the employee and the employer set aside annuity payments during the lifetime of the employee. The other plan considered was the pay-as-you-go program whereby the employee contributes throughout his working life and the employer pays only as the occasion arises, generally after retirement.

The state of Connecticut has financed in recent years the Connecticut Teachers' Retirement System on a terminal funding basis. By this method the employee contributes to the teachers' annuity fund each payday. The employer contributes the total state payment calculated on an actuarial basis at the time of the teachers' retirement. For example, the average teacher who retired in Connecticut in 1968 had 35.1 years of service and had paid into his teacher's annuity savings account $12,361. The state's payment for this teacher at the time of retirement was $72,978.

Thus, in effect, it was a funded system on the terminal method.

However, because of financial difficulties of the state government this year, approximately $60 million of the state's payment to the teachers' retirement system for the next biennium must be bonded.

This means that instead of giving the retirement system some $60 million, which could then be invested to reduce the cost of the system, the state will give the retirement system a bond for some $60 million. Then it will pay the retirement system 4.5% interest for 20 years. For the next two years normal cost will be paid by the state.

There are a number of factors to consider. The bonding procedure is predicated upon the assumption that at the end of the 20 years the state will pay the $60 million to the retirement system. The state legislature at will could vote to eliminate this obligation.

A second consideration is that interest payment to the system will be 4.5% annually which has been the experience of the system. It is interesting to note that in a July 13, 1969 article in *The New York Times* by John H. Allan it was reported that some bonds are yielding 8% in an economy where the cost of living is rising at the rate of 5.4% a year and has increased .8 of 1% in June and .5 of 1% in July of 1969.

The third factor to consider is that in order to borrow $60 million for 20 years at 4.5% interest the taxpayers will pay an additional $54 million. This is $54 million which is lost or could have been used to reduce the cost of the system.

Thus, in effect, the cost of teacher retirement in Connecticut has been increased because of policies which are not consistent with recommended actuarial practices of proper funding.

The experience of Connecticut is not unique. Local and state retirement systems throughout the country are reporting similar types of funding difficulties.

Sources of Finance

The cash flow into the retirement system in which teachers are members comes from both the members of the system and public funds, with the exceptions of Delaware and New York State where the entire system is financed entirely from public funds.

Usually the money paid into the retirement system by the teacher is called the annuity or annuity payment which is generally deposited in the annuity savings account. Glen L. Wood in an article in the *Chartered Life Underwriter* states, "technically an annuity is simply a period payment, and a life annuity is a service of payments that are made throughout a designated person's lifetime."

The public funds paid into the retirement system are generally deposited in the pension fund. Pensions means payments for life derived from contributions from public sources.

The periodic monthly payments received by the teacher after retirement are called the retirement allowance and are comprised of the annuity contributions of the teachers plus the pension contributions from public funds.

It therefore is technically incorrect to call after-retirement money payments to teachers pensions because pension means only the money derived from public contributions. Retirement allowance is a more correct way to describe these payments.

This present discussion revolves about state-wide retirement systems and does not include consideration of the financial aspects of Social Security which will be treated in detail in a later chapter.

Teacher Contributions

Teachers' payments to the retirement system are usually deducted each payday from their paychecks. Our concern here is only with that percentage of the deductions which are applied to the annuity savings account. In some cases deductions include not only the amount for the annuity fund but also survivorship and cost of living deductions.

For example, in Nevada members contribute 6% of gross salary of which 5% is the regular contribution, 1/2 of 1% is to finance the automatic post-retirement increase of 1-1/2% per year and 1/2 of 1% is to finance the survivor benefits program.

Generally, the formula for contributions by teachers is a percentage of all or part of their total salary. The salary portion of the formula is known as the salary base.

We may now focus our attention upon this teachers' contribution formula in general and specifically consider the nation-wide variation in the different types of percentages and salary base used by the states.

The most popular percentage used in the retirement formula is either 5% or 6% with 24% of the states listed in each category. The percentage range is from 3% found in 5 states to a range of 5.8% to 10.4% in Vermont, where the percentage is related to the age of entry into the service and to the person's sex.

The percentage used in the teachers' contribution formula varies, but there are three identifiable patterns, as follows:

1. In this category, 82% of the states use a single percentage, regardless of sex or the age at which a person enters the system.

Here the retirement formula includes a single salary base. Thus, in Virginia the formula for a teacher entering the system would be 5 1/2% times the total salary.

It is of interest to note that in the last two years the percentage of states in this classification has increased from about 75% to 82%.

2. The second type of percentage system is used by 14% of the states. Under this plan there are two percentages in the formula instead of one. Members contribute one percentage figure to a certain salary income level (sometimes associated with Social Security), and then a different percentage figure is used on the income above that level. For example, in Michigan the formula is 3% of the first $4,200 of gross salary in each calendar year plus 5% of all salary over $4,200. Also included are Idaho, North Carolina, Oregon, South Carolina, Tennessee and Wisconsin.

3. The percentage used in the teachers' contribution formula in this third case is actuarially determined by sex and age at the time the member enters the retirement system. To illustrate: in California the percentage at age 25 is 6.5% for men and 6.59% for women, while at age 59 the percentage are 11.09% and 11.86% respectively.

Our discussion to this point has included the percentage factor in the teachers' contribution formula, and now we shall consider the second half of the formula which is the salary base factor.

The salary base may be defined as that portion of the teacher's earnings which is used in the teachers' contribution formula.

Three different approaches to the concept of salary base are used by the various states. They include:

1. A salary base equal to the gross salary of the teacher.
2. A single fixed-maximum salary base.
3. A single fixed salary base, after which the teacher must pay the difference between the actual salary and the fixed base.

Now to consider in more detail the three approaches to salary base as used in the teachers' contribution formula:

1. More than half of the states, 58%, use a salary base which is the gross salary of the teacher. These states do not have a set upper limit. For example, in Georgia, teachers contribute 6% of their total salary to the annuity savings fund.

2. The second most popular type of salary base is the fixed-maximum salary base, which is used in about one-quarter, 24%, of the states. This type of salary base has decreased in popularity about 15% in the last few years.

3. The third type of salary base plan, often concerned with Social Security, is a modification of the fixed salary base and is used in 14% of the states. Under this plan the teacher pays a percentage of salary to a fixed maximum and then is required to contribute a different percentage of that portion of the salary in excess of the minimum salary base. In North Carolina members pay 5% of their salary up to $5,600 and then contribute 6% of salary in excess of $5,600. It should be noted that, by this plan, members are required to have different deductions made from their entire salary but at two different percentage rates.

It is of interest to note that Mississippi and Virginia require no contributions on the first $1,200 of earnings, and that presently at least one half of the states offer the teacher the opportunity to build additional retirement income through voluntary deposits with the retirement system for supplemental benefits.

Those deposits not matched by public funds at the time of retirement may be returned to the teacher with interest. In this group of states tax sheltered annuities are offered in at least six.

Public Employers' Contribution

The usual source of public contributions is from the state, and this is found in 58% of the cases. Public money, however, may also come exclusively from local school districts, as in New Mexico, or from both the state and the school districts, as exemplified by Pennsylvania.

Hawaii is the only state where public contributions are given by both the state and the county while Arizona is the sole example of public funds being derived exclusively from the county.

In some instances the amount of the public contribution is determined by a specific percentage while in other cases, often in terminal funding procedures or pay-as-you-go plans, the public employer pays the needed amount by periodic appropriation.

Often the state or public employer, following the actuarial reserve method of sound financing, either uses a set percentage, or each year sets aside funds to meet the liabilities of the system. For example, in New Jersey the state pays an amount sufficient to meet the actuarial liabilities of the system each year.

The employer's contribution is about 14% of salary. Such contributions aren't actually to the member's account but are deposited in a reserve fund which is used at retirement in meeting the reserve requirements for the payment of a retirement allowance.

Sometimes, also, additional funds above normal cost, the cost of current liabilities of the system, are paid into the system by the employer to erase the accrued liabilities of the system. Accrued liabilities is an amount for benefits for service before the effective date of the plan.

The relationship of Social Security to the system is also a most important factor to consider when examining the role of the public employer's contribution to the system.

The extent of the involvment is underlined by the fact that approximately 60% of the nation's teachers are involved with

Social Security in some way and 37 states either have a supplemental or integrated relationship with the OASDHI program.

Investment of Retirement System Funds

From the perspective of the future health of teacher retirement the question of who invests the funds and how they are invested is probably the most crucial consideration in the entire area of teacher retirement.

We found in our previous discussion of teacher retirement boards that often these units had the final responsiblity for the investment policies of the state or local school system.

Thus, in Colorado, the retirement board, as trustees of the funds, has full power and authority to invest and reinvest the funds while a variation of this approach is utilized in California where the board delegates to the executive officer authority for the selection, purchase and sale of securities of the retirement system.

Another method is used in Kentucky where the investment authority is vested in the board of trustees, and the board then designates an investment committee consisting of the executive secretary and two board members to make the investments subject to the later approval of the full board.

A number of states follow the procedure found in New Hampshire where the state treasurer is custodian of the funds of the retirement system and has the full power of investment with the board's approval.

In Iowa investments are made by the state treasurer upon the authorization by the retirement administrator after consultation with the advisory Investment Board. The advisory board is composed of five members. Three are appointed by the governor; one must be an executive of a life insurance company, one an executive of a bank, and one an executive of a major industrial corporation in the state. The two ex officio members include a member of the state senate and the house.

It may be noted that in the case of Iowa no member of the retirement system is involved in the investing of system funds.

In fact, Table 8 discloses that in only 8 states in the nation is there a requirement that classroom teachers have a voice in fund investment. Then, as we saw in Table 7, the average board has six members, which means that classroom teacher participation is assured in only 16% of the states of the nation and even then has only 17% representation on the average.

It thereby appears that the voice of the classroom teacher is not very loud in the investment councils of the nation's retirement system.

The balance between fund security and the rate of return is a prime consideration of those individuals involved in fund investing.

This thought is stated by Randall S. Robinson in an article in *Trust & Estates* as he writes, "Fund's managers investment performance cannot be measured just by examining the rate of return but by examining both the rate of return and the degree of risk taken in achieving that return."

In general the return on the investments by retirement systems to which teachers belong tends to be conservative.

Professor Bernard Seligman writing in *Changing Education*, a publication of the American Federation of Teachers, emphasizes this point. He analyzes a table by Murray E. Polakoff in the May-June 1969 *Financial Analyst Journal* which shows a comparison of how the asset structure of corporate and state and local pension funds are translated in benefits for their beneficiaries.

The comparative measurements are yields on book value of investments (cost), yields on market value (income on investments divided by price), and the actual yield.

It was found that although the yield on marked value was about equal or even better for public funds, under actual yield the corporate funds showed up much better than the governmental ones. The idea was advanced that the positive market value situation was due to a shift by the governmental funds in the late 1950's from state and municipal tax-exempt securities and U. S. Government bonds to the higher yield corporate bonds and mortgages.

"On the average," Seligman reports, "there is little question that the corporate funds have out-performed their governmental counterparts. Undoubtedly, this reflects the superior performance of common stocks over the other forms of investments."

Referring to a report by the Labor Department on the hundred largest private retirement pension plans, *The New York Times* on September 29, 1963 states, "The principal investments of the plans were in common stocks and non-governmental bonds."

In the same vein, *Dunn's Review* in January 1969, citing 1967 figures of the SEC, noted that the typical private fund had about 50% of its assets invested in common stock.

Two possible reasons for the low return on the investment of retirement funds in which teachers are members are the conservative investment practices followed by those involved who probably (at least in part) are influenced by the prudent man rule philosophy and the legal restrictions the states tend to place upon the investment policies of retirement funds.

The prudent man rule investment philosophy was the outcome of a famous court case 141 years ago, *Harvard College and Massachusetts General Hospital* vs. *Francis Amory* (1829).

The prudent man rule states, "All that can be required of a trustee to invest is, that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested."

Noting that although the principles of the prudent man rule are most commendable, Seligman also observes that a strict application of this rule could lead to a "negative viewpoint in a misguided effort to make sure that obligations are met".

"Actually a dollar not earned is as bad as a dollar lost although these losses will never show up on any accounting record. Timid inaction is just as bad as reckless action. In fact, teachers' funds and all governmental retirement funds, for that matter, have lost far more by inaction than by speculative investment practices."

Examples of the use of the prudent man rule as prescribed by state law are Maine and Idaho. Thus, Idaho requires that funds not utilized for benefits or administration be invested by a bank, the system's funding agent. The funding agent is governed by a statutory prudent man rule.

Another reason for the relatively low return on retirement system investments is the legal restrictions placed on these funds.

For example, at least one-fourth of the states have laws specifically prohibiting the investment of teacher retirement funds in common stocks, and frequently the state law will limit investments to those legal for savings banks and sometimes life insurance companies.

The hesitancy on the part of the state and fund managers to invest in equities is at least in part due to the prudent man rule philosophy and the understandable but almost compulsive emphasis on security resulting from the traumatic experience of the great depression of the 1930's.

It would appear that the balance of fund investing between security and risk in the area of public retirement has been in favor of security at the sacrifice of investment returns, although this trend is presently being reversed by many states.

Although the degree of risk is most certainly involved, common stock investment today is not the riskful undertaking it once was.

The element of risk has been reduced since the depression by reforms in the banking system, regulation of stock market investing, and through the introduction of Social Security.

The counter argument may be advanced that the risk is greater not to invest in top grade common stocks. The cost of living has increased on the average of 2% per year since 1900, and during 1968 the consumer price index increased 5 1/2%.

Now the experience of retirement systems which have invested in common stocks has been most positive.

A pension plan for college teachers, the College Retirement Equities Fund, established in 1952 and representing about 180,000 college teachers in approximately 2,000 institutions, is an example.

The money paid by the teacher to CREF is invested in common stock with the result that from 1952 to 1967 the average annual rate of return was 10.96%.

This experience is supported by the Wisconsin Teacher Retirement System which permitted investment in common stock in 1959, and showed a return by 1967 of 9.8%.

In addition, a study by the University of Chicago Center for Research in Security Prices found that from 1926 to 1960 the rates of return compounded annually on common stocks listed on the New York Stock Exchange (with re-investment of dividends) were 9.0% for tax-exempt institutions after all transaction charges.

These rates of return should be compared to the present retirement system to which teachers belong, which usually bring between 4% to 5%.

As a possible indication of the future, Herschel Pittenger,[26] manager of the $1.2 billion Ohio Teachers' Retirement Fund, noted in *The New York Times* that he thinks eventually 50% of public funds will be invested in common stocks.

Additional negative effects on returns resulting from investment restrictions are highlighted in a study of state pension funds made by the Investment Bankers Association of America in 1966. The portfolios of the teachers' retirement systems of the five most populous states were examined by Seligman.[48]

The various types of restrictions placed upon the individual

TABLE 9

Teachers' Retirement Contribution Formulae

a. Percentage X Gross Salary

Alaska	5%	Missouri	8%
Alabama	4%	Montana	5%
Arizona	6%	Maryland	(a)
California	(a)	Massachusetts	5%
Colorado	7%	Nebraska	3 1/2%
Connecticut	5%	New Hampshire	(a)
Florida	6%	New Jersey	(a)
Georgia	6%	New Mexico	4%
Hawaii	6%	Nevada	5%
Illinois	6%	Ohio	7.8%
Kentucky	6 1/2%	Pennsylvania	5 1/2%
Maine	5%	Rhode Island	6%
Minnesota with Social Security	3 1/2%	Utah	4 1/2%
without Social Security	7%	Vermont	(a)
		Virginia	5 1/2%
		Washington	5%

b. Percentage X Maximum Single Salary Base

	%	Maximum Salary Base
Arkansas	6%	$ 7,800
Iowa	3 1/2%	$ 7,000
Indiana	3%	$ 8,500
Kansas	4%	$ 5,000
Louisiana		
Plan A	7%	$ 7,500
Plan B	7%	$16,000
Mississippi	4 1/2%	$15,000
North Dakota	3%	$ 7,200
Oklahoma	4%	$12,000
South Dakota	3 1/2%	$ 6,000
Texas	6%	$ 8,400
West Virginia	4 1/2%	$12,000
Wyoming	3%	$ 8,600

c. Percentage X Maximum Salary Base
and then
Percentage X Salary in Excess of Maximum Salary Base

	%		Maximum Salary Base
Idaho	3%	To	$400 per month
	6%	In excess	$400 per month
Michigan	3%	To	$4,200
	5%	In excess	$4,200
North Carolina	5%	To	$5,600
	6%	In excess	$5,600
Oregon	(a)	To	$4,800 (one-half)
		In excess	$4,800 (optional)
South Carolina	4%	To	$4,800
	6%	In excess	$4,800
Tennessee			
with Social Security	3%	To	$6,600
	5%	In excess	$6,600
without Social Security	7%		Total Salary
Wisconsin	4 1/2%	To	$6,600
	7%	In excess	$6,600

(a) Rates fixed by sex and age at time of entry into the system

states is most readily apparent. For example, in California and New York State teachers' funds are required to be invested according to the code imposed on savings banks, with some added restrictions and limitations.

California and Texas funds hold no mortgages, although mortgages ordinarily produce higher yields than other forms of fixed income financial investments. California and Pennsylvania are not permitted to invest in common stock, and New York, Pennsylvania and Texas funds are low in equities investments. In addition, the comparatively low rate of return for Texas is most probably related to the high proportion of investment in government bonds.

The Future of Bond Investments by Teachers Retirement Systems

How does the growing interest in common stock investment affect investment in bonds by teacher retirement systems?

John H. Allan addressed himself to this subject in a July 13, 1969 article in *The New York Times*.[26] He interviewed more than a dozen public fund executives who were involved in the investment of roughly $20 billion of the $46 billion of state and local government fund assets.

Among his conclusions were that bonds are attractive as long as their yields compete fairly evenly with long run total returns on stocks, and that moves toward greater flexibility in managing public pension funds are being made partly because of the increasing demands of employees for better returns on investments.

He recalled that bond prices have been declining most of the time since 1948, and that there was a time during a particularly bleak period recently when everyone who owned bonds held them at a loss.

At the present time, however, bond yields are the highest in a century, with yields of from 7 1/2% to 9%.

A mixture of opinions was expressed by fund executives on the subject of bond investment. The view at one extreme was stated by Coe Scruggs, former financial vice president of the American General Insurance Company, when he wrote in the October 1968 issue of the *Bond Buyer* that he felt that the bond market is dead.

On the other hand William L. Lobb, manager of the $1.22 billion Texas Teachers' Retirement System Fund stated recently what appears to be the dominant philosophy among pension fund investment officers when he said, "I feel that high yield corporate bonds could outperform most groups of industrial stocks over the next year or two." In the same vein Richard L. Stoddard, manager of the New Jersey's $2.3 billion pension assets reported that "bonds have become very attractive for purchase."

It is a point of interest that although the New York State Teachers' Fund is permitted common stock investments to a 30% limit, it still has only 11% presently invested in these equities.

Pittenger, of the Ohio Teachers' Retirement Fund, acknowledges that the 8 1/2% bond versus 8% stocks "makes you want to put some money into this bond market."

However, Allan[26] reported that Pittenger isn't overly enthusiastic. Ohio, one of the earliest large funds to go into stocks, gets a dividend yield of 7 3/4% on equity investments it made 13 years ago, based on cost. Considering price appreciation, the over-all return is about 13%.

At the same time, the returns on bond market investments made long ago are negative. Pittenger brings out the fact that the current high bond yield helps his stock buying program. "We can afford to buy growth stocks which yield less than 1% because of the high yield on bonds," he said.

A final thought was advanced by Ernest O. Ellison, chief of investments of the $3 billion California Public Employees Retirement System and the $1.2 billion Teachers' Retirement System. He declared that "if current attitudes continue, you're going to see a different kind of bond market. Bond buyers aren't

TABLE 10

Sources of Financial Support for Teacher Retirement Benefits

a. Financed Entirely by Public Funds — Delaware, New York

b. Financed Jointly by Members and Public Funds

1. Public Funds Exclusively from the State

Alabama	Maine	Rhode Island
Arkansas	Maryland	South Carolina
Connecticut	Massachusetts	Tennessee
Florida	Michigan	Texas
Illinois	Minnesota	Utah (a)
Indiana	Nevada	Vermont
Kansas	New Jersey	Virginia
Kentucky	North Carolina	Washington
Louisiana (a)	Oklaho...	West Virginia
		Wisconsin

2. Public Funds Exclusively from Local School District

Colorado	Montana	Oregon
Idaho	New Mexico	South Dakota
Iowa (b)	North Dakota	Wyoming
Missouri	Ohio (c)	

3. Public Fund from Both State and Local School Districts

Alaska	Nebraska
California	New Hampshire
Georgia	Pennsylvania
Mississippi	

4. Public Funds from Both State and County

Hawaii

5. Public Funds Exclusively from County

Arizona

(a) State reimburses school district
(b) School district, city or county
(c) Contributions of the employer for all local school districts are collected through the state of Ohio from allocated monies

going to be content merely to receive interest and principal after 25 years. The rate of return on bonds after inflation has been dismal, but 9% bonds go a long way toward offsetting inflation effectively."

However, it is interesting that the New York State Teachers Retirement Fund, after taking the over-all conditions of all securities markets into account as well as its long range objectives, invested the new 4% maximum in stocks.

Cost Reduction and its Effect on Policy and Membership of the Retirement System

The actuarial assumption and the resulting cost estimates of operating the system are the foundations upon which retirement plans are built.

These considerations are of vital importance to teachers because these factors often determine not only the type but also the degree of benefits.

William F. Marples in his book, *Actuarial Aspects of Pensions*, identifies and discusses actuarial cost determinants. He states that all pension plans demand some form of actuarial cost estimate in the initial determination of benefits and cost and in the subsequent reappraisals or reviews.

Cost determinants include the following:

1. Rates of termination of participation, (a) vesting and (b) unvested.
2. Rate of mortality, before and after retirement.
3. Rates of disablement (disability) and mortality rates after disablement.
4. Rates of normal retirement or effective retirement age.
5. Rates of progression of salaries.
6. Rates of interest.
7. Widow's age and ages and number of children if survivorship benefits are provided.
8. Administrative expense rate, if it has to be met from a trust fund.

It may be noted that in effect these actuarial assumptions represent the design of the pension plan and that the plan may be designed to meet specific goals of the employer.

For example, it is an actuarial assumption that the postponement of the retirement age beyond 65, allowing for the two deferment cost elements, reduces the cost of a pension plan by roughly 8% for each year of postponement. The age of retirement in this instance could be so defined that it would meet the specific design of an employer.

After the estimated cost of operating the system is calculated by the actuary, the administrator of the system is charged with operating the system within the actuarial cost estimates and reducing the cost of the operation.

It is certainly most proper that funds not be wasted and that the system should be administered effectively, and this is a most difficult and often unappreciated task.

Sometimes, however, the administrators, in their dedication to efficiency, lose sight of the fact that the system exists for the members and not the members for the system.

The following discussion will consider both actuarial assumptions and methods of cutting costs employed by states. It would appear that in some cases the methods employed in cutting costs do not reasonably consider the teacher as an individual.

TABLE 11

Investments in Common Stocks by Statewide Retirement Systems to Which Teachers Belong

State	Common Stock	Limit
Alabama	yes	20% (a)
Alaska	yes	50% (b)
Arizona	yes	10% (a)
Arkansas	no	(c)
California	no	(c)
Colorado	yes	30%
Connecticut	no	(c)
Delaware	no	
Florida	yes	10%
Georgia	yes	50% (d)
Hawaii	yes	(e)
Idaho	yes	no limit
Illinois	yes	20% (a)
Indiana	yes	20%
Iowa	yes	10%
Kansas	yes	25%
Kentucky	yes	10%
Louisiana	yes	(e)
Maine	yes	10%
Maryland	yes	25%
Massachusetts	no	(c)
Michigan	yes	10%
Minnesota	yes	35%
Mississippi	no	(c)
Missouri	yes	10%
Montana	no	
Nebraska	no	(c)
Nevada	yes	30%
New Hampshire	yes	no limit
New Jersey	yes	(e)
New Mexico	yes	75%
New York	yes	30%
North Carolina	yes	15% (a)
North Dakota	yes	20%
Ohio	yes	25% (a)
Oklahoma	yes	20%
Oregon	no	(c)
Pennsylvania	no	(c)
Rhode Island	yes	(e)
South Carolina	no	
South Dakota	yes	50%
Tennessee	yes	20%
Texas	yes	(e)
Utah	yes	no limit
Vermont	yes	35%
Virginia	yes	20%
Washington	yes	25%
West Virginia	no	(c)
Wisconsin	yes	35% (f)
Wyoming	no	(c)

(a) Common and preferred stocks
(b) Corporate stocks and bonds
(c) Common stock investment prohibited by law
(d) In equities
(e) Information not available
(f) Only in the Fixed Division

1. Withdrawal Before Retirement

Rates of termination of coverage (or withdrawal rates) are employed in the calculations to give effect to the reduction in the number of employees which occur when one or more quits his job prior to becoming entitled to a pension from the plan.

Withdrawal rates are almost always determined separately by sex. The sex factor is important because women live longer than men. For either sex, withdrawal rates are found to vary substantially with the duration of employment as well as with age.

The rates are generally higher at the younger ages and shorter duration of service than at the older age and longer periods of service. If an employee has to complete a number of years of service, that period thereby eliminates a corresponding number of years of select withdrawal rates.

With these actuarial concepts in mind, we may now investigate how cost cuts into teacher retirement plans.

One method used by the states for cost reduction is eliminating or restricting the amount of the teacher's earned interest at the time of withdrawal from service. The money the teacher paid into the system is returned if the teacher withdraws from service before earning a vested right or right to participate in the pension program, but often the interest on the teacher's money is withheld.

This is a relatively common practice used by teacher retirement systems and one most difficult to defend.

At least one-third of the states (36%) place some type of restriction upon the return of the participant's interest at the time of withdrawal from service. These states include Colorado, Delaware, Illinois, Minnesota, Montana, Nevada, New Mexico, North Dakota, and Rhode Island.

At least 5 other states set a minimum service limit on the return of the teacher's interest. We thus find that there is no interest granted by the state upon withdrawal in Alabama and Oklahoma unless the teacher has served three years, while the minimum limit is five years of service in Arkansas, Missouri and Oklahoma.

Mississippi returns teachers' interest at the rate of only 1%, while South Carolina returns but one-half of the teacher's earned interest. A reverse situation is found in Wyoming where interest is given for under, but not over, four years of service, and in Massachusetts there is no interest refunded if withdrawal takes place after age 55.

In passing, it may also be pointed out that, apparently, some states also cut cost by not crediting to the teacher's account the true interest earned by the participant's money.

Five states not only give no interest to the teacher upon withdrawal from service, but they also do not credit any interest to the teacher's account even if they stay in service. This is despite the fact that the teacher's money is earning interest. These states include Colorado, Nevada, New Mexico, North Dakota and Rhode Island.

In those states which do credit interest to the teacher's account, the most popular interest rate is 4%, found in about one-third of the states, while the percentage range runs from 2% credited interest in Iowa and Virginia to 5.2% in Arizona.

Vesting, or the payment of a deferred benefit, is also an area where costs are cut. In effect, vesting means that after a certain number of years a teacher has earned the right to a reduced benefit at a later age. Before the rights are vested, if the teacher withdraws from service, only his contribution to the system plus, possibly, the interest will be returned. After the vested right is earned, public money is then used for retirement benefits.

The national average for vesting is ten years with a deferred allowance at age 60, but some states, such as Delaware, South Dakota and Vermont, do not have vesting rights.

Vesting increases the actuarial estimate of the cost of the pension plan, and the degree of increase depends upon the size of the withdrawal rates in the actuarial cost determinants.

Therefore, by not having vesting or by setting high qualifying requirements, the cost can be reduced. The service requirement and the age when the deferred benefit will be paid are basic considerations. If the service requirement can be increased from (say) the national average of ten years to (say) 25 years, as in the case of South Dakota, the cost can be reduced.

There can also be a cost reduction, as in the case of Texas, which sets the age for receiving the deferred allowance at 65.

In general, early retirement in many respects is similar to vesting. It is usually necessary to meet service and, sometimes, age requirements.

The most frequent national requirement for early retirement is 30 years of service regardless of age. Setting an age requirement such as 60, as in Virginia, would tend to reduce cost.

2. Rates of Mortality

The rate of deaths before and after retirement are important considerations in the actuarial cost estimates of the system. Combined mortality and withdrawal rates in the form of a total termination rate are sometimes used.

Costwise, high mortality rates produce a large reduction, and lower mortality rates produce a lesser reduction. The mortality rates of a retirant are used to produce the "annuity value"

TABLE 12

Pension Funds' Rates of Return on Investments in Percent

	Corporate Pension Funds	State and Local Pension Funds
Yield on Book Value		
1957	3.6	2.8
1958	3.7	2.9
1959	3.8	3.0
1960	3.9	3.2
1961	3.8	3.4
1962	3.9	3.6
1963	3.9	3.7
1964	3.9	3.7
Yield on Market Value		
1957	3.5	2.8
1958	3.3	2.9
1959	3.4	3.2
1960	3.4	3.2
1961	3.2	3.5
1962	3.5	3.5
1963	3.3	3.7
1964	3.2	3.7
Actual Yield		
1958	11.8	4.6
1959	4.9	0.9
1960	5.7	9.7
1961	11.8	2.0
1962	2.9	4.2
1963	9.4	2.8
1964	8.5	3.9

Source: Murray E. Polakoff, "Public Pension Funds," *Financial Analysts Journal* (May-June, 1966), pp. 75-81.

which is, in effect, both the present value of payments of pensions and an estimate of the lump sum value at retirement.

3. Rates of Disablement (disability) and Mortality Rates After Retirement

Historically, disability retirement was considered in many of the earlier teacher retirement plans, such as the 1895 forerunner of the present California Teachers' Retirement System.

However, adequate benefit levels and wide acceptance of disability retirement have tended to be limited in teacher retirement plans. Cost considerations and Social Security benefits have contributed to this state of affairs.

Actuarially, rates of disablement are used to estimate the number of employees who are expected to retire on account of disability, and the mortality rates after disablement determine the annuity value for incorporation in the calculation of the present value of the pension after disablement.

The disability rates are affected strongly by the type of employment. Teachers who may be classed as in a more sedentary type of employment may not only exhibit lower disablement rates but also may be permitted to continue working if only partly disabled. This results actuarially in a higher mortality rate and thus a savings to the system.

4. Retirement Age or Rates of Normal Retirement

It is generally considered that the working life of an individual is about 45 years, from age 20 to age 65, with a pension period of 15 years, a three to one ratio.

If the average beginning work age or retirement age is changed, so will the ratio, and thus the cost to the system.

Actuaries calculate that the postponement of the retirement age beyond age 65, allowing for the two deferment cost elements, reduces the cost of a pension by roughly 8% for each year of postponement.

The retirement age is an important consideration when considering the cost of the plan.

5. Rates of Salary Progression

As the popularity of the final average salary plan increases among teacher retirement systems, the rate of salary is becoming increasingly important to cost estimates.

In a fully funded system the payments of the teacher and public employer are such that at the time of retirement there will be sufficient money available to meet the retirement allowance payments of the teacher throughout the retirement period. The amount set aside is actuarially determined and generally tends to be conservative.

Marples notes that an individual starting to work at age 20 for $4,000 a year would be receiving at least $32,000 a year immediately before retirement in 45 years at age 65.

He points out that the employer and actuary must decide to pay "less now and more later or more now and less later." The decision is generally less now and more later, or some compromise, with the result that the compromise assumption takes care of normal increments in salary due to promotion and service. This estimate and assumption, however, tends to be conservative.

TABLE 13

Breakdown of Large Private Pension Fund Investments

Below is the breakdown for some of the nation's largest pension funds in 1967. By SEC reckoning, the typical private pension fund had about 50% of its assets invested in common stocks.

Company	Total Assets (in millions)	% of [2] Stocks	% of [2] Bonds	Other [2]
Aluminum Co. of America.	$ 286,979	43%	39%	18%
American Telephone & Telegraph[1]	308,053	23	73	4
Armour	200,723	55	37	8
Boeing	343,265	59	36	5
Firestone Tire	156,504	39	56	5
Ford Motor	1,626,031	63	17	21 x
General Dynamics	633,658	31	18	50 x
General Motors	1,616,918	60	28	11 x
International Business Machines	398,465	46	40	14
International Paper	218,391	57	41	2
Lockheed Aircraft	293,853	42	36	22
North American Rockwell	406,728	20	48	22
Swift	235,174	41	57	1 x
Union Carbide	170,513	65	29	6

[1] Represents only one of AT&T's numerous pension funds
[2] Percentages rounded out to the nearest whole number

Source: "The Do-It Yourself Pension Fund," *Dunn's Review*, January 1969, Vol. 93, No. 1, p. 22.

TABLE 14

Investments of Selected State Teachers' Pension Funds
(in millions of dollars)

	Calif.[1]		N. Y.[1]		Ohio[2]		Penna.[1]		Texas[2]	
	amt.	%	amt.	%	amt.	%	amt.	%	amt.	%
U. S. Govts.	192	20	172	12	92	10	120	9	414	47
State and Municipal bonds	6	1	74	5	11	1	12	1	41	5
Corp. bonds	752	77	672	46	420	43	910	68	259	30
Mortgages			351	24	248	26	300	22		
Common Stock			106	7	142	15			145	17
Other Assets	23	2	90	6	51	5			11	1
Total	973	100	1,465	100	964	100	1,342	100	870	100

(1) As of June 30, 1965
(2) As of August 31, 1965

Source: Computed from "State Pension Funds," Investment Bankers Association of America, Washington, D.C., January 1966.

TABLE 15

Interest Received Upon Withdrawal From Retirement System

State	Yearly Interest To Members	Withdrawal Interest
Alabama	4%	after 3 yrs.
Alaska	3 1/2%	
Arizona	5.2%	full (a)
Arkansas	2 1/2%	after 5 yrs.
California	4%	full
Colorado	none	none
Connecticut	4 3/4%	full (b)
Delaware	(c)	none
Florida	(d)	full
Georgia	3 1/2%	after 5 yrs.
Hawaii	4%	full
Idaho	4 1/2%	full
Illinois	3%	none (b)
Indiana	3%	full
Iowa	2%	full
Kansas	4%	full
Kentucky	4 1/4%	full
Louisiana	4%	full
Maine	(e)	full
Maryland	4%	full
Massachusetts	3%	full (f)
Michigan	2 1/2%	full
Minnesota	4%	none
Mississippi	3 1/2%	1%
Missouri	4%	after 5 yrs.
Montana	5%	none
Nebraska	3%	yes
Nevada	none	none
New Hampshire	3 1/2%	full
New Jersey	3%	(c)
New Mexico	none	none
New York	4%	3-4%
North Carolina	3-4%	full
North Dakota	none	none
Ohio	4%	full
Oklahoma	4%	after 3 yrs.
Oregon	4 1/2%	full
Pennsylvania	4%	full
Rhode Island	none	none
South Carolina	4%	2%
South Dakota	4%	(c)
Tennessee	4%	full
Texas	2 1/2%	full
Utah	4%	full
Vermont	5% (max.)	full
Virginia	2%	full
Washington	4 3/4%	full
West Virginia	3%	full
Wisconsin	(e)	full
Wyoming	3 1/2%	under 4 yrs.

(continued)

(a) All creditable interest
(b) Interest on survivorship payments not included
(c) Not available
(d) Determined each year
(e) Set periodically by retirement board
(f) No refund after age 55

Now continuing, the most effective way to reduce cost in this area is to limit salary increases.

6. Rate of Interest

The rate of interest is one of the most important of the actuarial assumptions because it is directly related to the available funds of the system and forms the basis for the estimation of benefits.

Usually the system is financed by contributions from the members, the public employer, and the interest earned by investing these funds.

Primary questions relating to investment include: Are any major groups of investments barred? If suitable bonds, equity investments and mortgages are to be bought, what should be the proportion in each category? Who makes the investment decisions?

In order to reduce the cost to the system, it follows that the greater the investment performance, the smaller the contributions from the teacher and the employer.

It is often estimated that 1/2% increase in interest reduces pension cost by 10 to 12%.

7. Widow's Age, Number and Ages of Children

The sector of survivorship benefits is becoming increasingly important in teacher retirement. Although 9 out of 10 people in the nation are covered by Social Security and with it survivorship benefits, approximately 40% of the nation's teachers are not under Social Security.

Actuarial considerations in this area – the proportion of participants who are married – because the greater the proportion and the lower the average age of the wife relative to the age of her husband, the higher will be the benefit cost. These statistics plus information about the children are difficult to obtain and thus present to the actuary a problem in accurate cost estimation. Having no survivorship program or limited benefits would be ways states could reduce costs.

8. Administrative Expenses

The administrative costs for running the system include the internal expenses of providing information to employees, collecting relevant statistics, payment of salaries of employees of the retirement office and payment of expenses for professional advice such as legal, actuarial and investment.

Costs are sometimes cut in this area by preparing and sending out only the minimum kind of information to the membership which often is poorly printed. Also, reductions are made by limiting the size of the retirement office staff, which results in a loss of operational efficiency including the adequate counseling of pre-retirants.

Other Methods of Cost Reduction

There are a variety of additional devices employed by the various states to reduce the operating cost of teacher retirement systems. These include the granting of limited or no credit for out-of-state teaching service and military service.

Limited vesting rights is another vitally significant method utilized by the states as a cost reduction method.

A detailed discussion of these three areas will be found in the chapter concerned with the mobility of teachers. These are areas where the individual teacher is often penalized because the cost cutting is emphasized and the rights of the teachers are not in balance.

Chapter 7
THE SOCIAL SECURITY SYSTEM

Social Security is the largest retirement system in the United States.

This basic contributory program covers about 9 out of 10 people working for a living in the nation. Including the special retirement system for railroad workers, coordinated with Social Security, and for federal, state and local government employees, 95% of the working population have protection through public programs.

The term Social Security is popularly used in the United States to refer to the basic national social insurance program – old age, survivors, disability and health insurance (OASDHI). The program presently provides benefits for about 24,000,000 people. More than 12% of all Americans receive support from this system.

When the program was first established just more than one-third of a century ago, teachers were not covered.

It was not until 1954 that an amendment to the Social Security Act provided the majority of teachers the opportunity to become members of OASDHI. Today, approximately 60% of the nation's teachers in 74% of the states have Social Security coverage.

History and Philosophy

History

The Social Security program we know today originated as only an old-age insurance program, after-retirement income loss protection, and it was part of a much broader law encompassing many social programs known as the Social Security Act of 1935.

President Franklin D. Roosevelt signed the Social Security Act into law on August 14, 1935, and the program became effective in 1937. Since then separate programs for survivors, disability and health have been added to the original old-age insurance plan. Present day Social Security is comprised of these four divisions.

Congress in 1939 made the old-age insurance program a family program by providing monthly benefits for a worker's dependents and survivors.

No major changes were made again until 1950 when coverage was made available on a voluntary group basis to employees of state and local governments not under public employee retirement systems, and to employees of non-profit organizations.

Although the 1950 changes did not affect the majority of teachers, the 1954 amendment did, and teachers had the opportunity to join the Social Security system.

The disability portion of Social Security was added in 1956, while a comprehensive health insurance program for persons aged 65 and over, medicare, was added by a 1965 amendment.

Philosophy

Explaining the fundamental concept of OASDHI, Robert M. Ball, former commissioner of Social Security states, "It is social insurance. The basic idea of Social Security is that the protection people get grows out of the work that they do and out of the contributions that they and the employers make. It's a preventive measure." (*Social Security Today*)

"For most parts of the program," Ball concluded, "you can think of it as being insurance against the loss of work income – income insurance... If you keep in mind the basic idea that Social Security is income insurance, then most of the major features of the program follow rather automatically."

Thus the heart of the Social Security program, as with teacher retirement programs, is the after-retirement allowance to help replace the loss of income resulting from leaving a job. The other benefits are related, but subordinate, to this core concept.

Basic principles underlying Social Security are presented by Alfred M. Skolnik, chief of the Interprogram Studies Branch of the Office of Research and Statistics of the Social Security Administration.[78] They include:

1. Work Related

They are an earned right. They are paid regardless of income. The first principle underlying the program is that security for the worker and his family grows out of his own work. In general, the more he earns, the greater his protection.

2. No Means Test

The benefits are an earned right. They are paid regardless of income and equity. The absence of a means test in turn encourages the worker to provide additional protection for himself through personal savings, private insurance, home ownership and other investments.

3. Contributory

The concept of an earned right is reinforced by the fact that workers make contributions to help finance the benefits. The contributory nature of the program encourages a responsible attitude toward the program.

This idea is underlined in a report of the Advisory Council on Social Security. In 1965 it noted, "The fact that the program is contributory – that employees and self-employed workers make contributions in the form earmarked Social Security taxes to help finance the benefits – protects the rights of the program against unwarranted liberalization.

"The covered worker," the report concludes, "can expect, because he has made Social Security contributions out of his earnings during his working lifetime, that Social Security benefits will be paid in the spirit of an earned right, without undue restrictions and in a manner which safeguards his freedom of action and privacy."

4. Rights Clearly Defined in the Law

A person's rights to Social Security benefits – how much he gets and under what conditions – are clearly defined in the law and are generally related to facts that can be objectively determined.

Sources of Finance

From its inception in 1933, the Social Security program has been financed entirely by contributions shared equally by employers and employees. Social Security contributions have never been paid on all of an employee's earnings.

Instead, a wage base was established which excluded higher earnings both in establishing the contributions made by the employers and employees and in computing the amount paid to Social Security beneficiaries.

The original wage base has been raised several times. The original wage base established in 1935 was $3,000, compared to $7,800 in 1969.

The change in the wage base over the years is as follows:

Year	Amount
1937-1950	$3,000
1951-1954	$3,600
1955-1958	$4,200
1959-1965	$4,800
1966-1967	$6,600
1968 and after	$7,800

The equal amount paid by the employee and the employer is determined by multiplying the wage base times a given percentage. For example, since 1969, the maximum contribution which an employee can make is 4.8% times the wage base of $7,800 which is equal to a contribution of $374.40 matched by an equal amount from the employer. The total contribution to the Social Security system is therefore $748.80.

These contributions go into one of the following four trust funds:

1. The Federal Old-Age and Survivors Insurance Trust Fund, which is the oldest and the largest of the four funds. It was established in 1939 and is used to finance the payments of cash retirement and survivors insurance benefits.
2. The second of the funds is the Federal Disability Insurance Trust Fund. This fund was set up in 1956 to finance the benefits payable to people who become disabled before reaching age 65.
3. Established in 1965 were the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund. Benefits for health insurance for people over 65 are paid from these funds.
4. A special payroll contribution goes into the Hospital Insurance Trust Fund. The Supplementary Medical Insurance Trust Fund is comprised of the premiums of those enrolled in the plan in addition to the matching contribution from the federal government.

Eligibility for Normal Retirement

As with teacher retirement, there are in the Social Security system qualifications for the right to retire, and then a formula which determines full monthly benefits.

To retire with maximum benefits an employee must be 65 years of age. In addition, the individual must be fully insured.

The idea behind the insured status is that an employee must have demonstrated his attachment to the labor force by a specified amount of work in covered employment. The amount of covered work required is related to the length of time a person could have worked under the program.

The period of time a person must have spent in covered work to be insured for benefits is measured in quarters of coverage. A person paid $50 or more in covered non-farm wages in a calendar quarter is credited with a quarter of coverage.

For most types of benefits, the worker must be "fully insured." In general, a fully insured person is one who has at least as many quarters of coverage (acquired at any time) as the number of years elasping after 1950 (or year of attainment of age 21, if later) and up to the year of attainment of age 65 (62 for women), disability, or death, whichever happens first.

For example, if an individual is 65 in 1969, the difference in years from 1951 is 18 years, and when divided by four quarters to a year results in a required 4 1/2 or 18 quarters of coverage to be fully insured.

As presently determined, if a person retires in 1991 or later, he would need 40 quarters or 10 years of covered service to be fully insured.

The 40 quarters are based upon the assumption that the working lifetime of an individual would be 40 years.

If an employee dies before acquiring a fully insured status, certain survivor benefits and sometimes disability benefits (but no retirement benefits) may be paid if he is currently insured. An individual is currently insured if he has acquired six quarters of coverage within the 13 calendar quarter period ending with the quarter in which he died.

Thus, fully insured people are entitled to retirement, survivor and usually disability benefits. Currently insured people receive survivor and sometimes disability benefits, but no retirement payments.

Determination of the Normal Retirement Allowance

After a person has met the age and fully insured status qualification to retire at maximum benefits, the amount of the monthly payments is then determined. In the area of teacher retirement these monthly payments, when a person retires under normal retirement requirements, are called the normal retirement allowance.

The Social Security system uses another name, the primary insurance amount, for the identical after-retirement payments.

The Social Security formula to determine the primary insurance amount is average earnings times certain percentages for different amounts of average earnings.

Thus, the primary insurance amount is approximately equal to 71.16% of the first $110 of the average monthly earnings plus 25.88% of the next $290, plus 24.18% of the next $150 plus 28.43% of the remainder up to $100.

We may now consider the second part of the primary insurance payment formula which is average earnings, and the method of determination of this factor.

Generally, average earnings are calculated over the period from 1950 (starting with 1951) until the worker reaches retirement age, becomes disabled or dies.

Up to five years of the lowest earnings may also be excluded. The maximum earnings creditable for Social Security are $3,600 for the period 1951 to 1954; $4,200 for 1955 to 1958; $4,800 for 1959 to 1965 and $6,600 for 1966 to 1967. The maximum creditable in 1968 is $7,800, but average earnings cannot reach this amount until later.

Normal Retirement Benefits

The maximum retirement benefits an individual employee can receive under teachers' retirement systems is called the normal retirement allowance, while the Social Security system uses the term 100% of the primary insurance amount for the identical concept.

Now in addition to the retirement allowance received by the employee, there are also benefits for the following members of his family:

1. A wife 62 or older (or a dependent husband 62 or older).
2. Unmarried children under the age of 18 or to age 22 if they are full time students.
3. Unmarried children 18 or over who were severely disabled before 18 and remain so.
4. A wife under age 62 if she is caring for a child who is eligible for benefits because he is under 18 or over 18 and disabled.

Under the law, as of 1969, the maximum monthly payment for a retired worker is $218. However, as of December, 1967, the average retired worker received a monthly average Social Security payment of $85.37.

The 1969 maximum family allowance is $434.40 monthly, but as of December 1967 an aged couple (retired worker and aged wife) received $149.40 monthly, while a widowed mother with two children received $237.30 per month.

TABLE 16

MONTHLY CASH SOCIAL SECURITY BENEFITS[1]

Average Yearly Earnings After 1950	$899 or Less	$1800	$3000	$4200	$5400	$6600	$7800
Retirement at 65 or disability under 65	$55.00	$ 88.40	$115.00	$140.00	$165.00	$189.90	$218.00
Maximum family benefit	$82.50	$132.60	$202.40	$280.80	$354.40	$395.60	$434.40
Wife 65 or older	$27.50	$ 42.20	$ 57.50	$ 70.20	$ 82.50	$ 95.00	$105.00
Retired worker 62	$44.00	$ 70.80	$ 92.00	$112.40	$132.00	$152.00	$174.40
Wife at 62-no child	$20.70	$ 33.20	$ 43.20	$ 52.70	$ 61.90	$ 71.30	$ 78.80
Widow 62 or older	$55.00	$ 73.00	$ 94.90	$115.90	$136.20	$156.70	$179.90
Widow 60-no child	$47.70	$ 63.30	$ 82.30	$100.50	$118.10	$135.90	$156.00
Disabled widow 50 no child	$33.40	$ 44.30	$ 57.60	$ 70.30	$ 82.70	$ 95.10	$109.20
Wife under 65 and one child	$27.50	$ 44.20	$ 87.40	$140.40	$165.00	$190.00	$214.00
Widow under 62 and one child	$82.50	$132.60	$172.60	$210.60	$247.60	$285.00	$327.00
Widow under 62 and 2 children	$82.50	$132.60	$202.80	$280.80	$354.40	$395.60	$434.40
1 child of retired or disabled worker	$27.50	$ 44.20	$ 57.50	$ 70.20	$ 82.50	$ 95.00	$109.00
One surviving child	$55.00	$ 66.30	$ 86.30	$105.30	$123.80	$142.50	$163.50

[1] *Your Social Security*. Social Security Administration, Washington, D.C. May, 1968, p. 12

Disability Retirement

Although many of the early teacher retirement plans considered disability retirement, at the present time disability retirement is not emphasized in the teacher retirement systems.

However, in the Social Security system the major emphasis is not only on the retirement allowance of the retired worker, but almost equal emphasis is placed on disability retirement.

After meeting the requirements for disability retirement, the retired worker's benefits and family benefits are similar to those received under Social Security normal retirement.

In December, 1966, the monthly payments to a disabled worker without dependents was $99.20, while a disabled worker with a wife and one or more children received a family benefit per month of $218.80.

A person is considered disabled only if he has a severe physical or mental condition which:

1. Prevents him from working and
2. Is expected to last (or has lasted) for at least 12 months or is expected to result in death.

To be fully insured for disability benefits at age 31 or later, an employee must be fully insured, and he must have worked in covered employment for at least five out of the last ten years before the onset of the disability.

If the disability occurs before age 24, credit is needed for 1 1/2 years of work in the three years before disablement. If the individual becomes disabled between 24-31 years of age, he needs Social Security credits for one-half the time after age 21 and the date of the disability.

It may again be noted that the monthly disability payment is generally the same as the primary insurance (normal retirement allowance) which he would have received if he was 65 years of age. The calculations are identical as for normal retirement.

Disability payments begin with the 7th full month of disability, and at age 65 the benefits will be changed to retirement payments at the same rate.

Death and Survivorship Benefits

Although teacher retirement systems are beginning to emphasize more and more survivorship benefits (especially before retirement), this emphasis does not compare with the consideration given to this important area by Social Security.

The benefits received by dependents under Social Security are similar whether the employee dies before or after retirement, while in teacher retirement systems different survivorship benefits are often found depending upon when, before or after retirement, the teacher dies.

When a fully insured person dies, before or after retirement, the following dependents become eligible for monthly benefits:

1. A widow 60 years of age or older, or a dependent widower 62 years or older.
2. A disabled widow or disabled dependent widower 50 or years of age or older.
3. Unmarried children under 18, or 18 to 22 if they are full time students.
4. Unmarried children 18 years of age or older who were severely disabled before 18 and remain so.
5. A widow under 60 if she is caring for a child who is eligible for benefits because he is under 18 or over 18 and disabled.
6. Dependent parents 62 years of age or older.

In addition, Social Security also pays a one-time lump sum benefit of up to $255 for funeral expenses.

Early Retirement

Priority is not given to early retirement under the Social Security system, while a much more extensive emphasis is found in the teacher retirement system in general.

Permanently reduced benefits are received by:

1. Employees and their wives who choose to start receiving retirement benefits while they are between 62 and 65 years of age. Benefits are permanently reduced by 5/9 of 1% for each month the benefit is paid before age 65. This would mean that if retirement starts at age 62, the benefit reduction would be approximately 20%.
2. Widows who choose to start receiving benefits between 60 and 62.
3. Disabled widows and disabled dependent widowers 50 or older who receive benefits before they reach 62.

Portability and Vesting Rights

There is complete portability under the Social Security system. This enables an employee to work in any section of the country, and if he moves or changes jobs, his retirement rights follow him.

This is not true under teacher retirement systems, and it is one of the major problems in the area of teacher retirement which will be discussed in detail under the section on the mobile teacher. At present, teachers are penalized pension-wise if they move from one state to another.

The concept of vesting, or the right to participate in the retirement system, is generally ten years of service in the teachers' retirement system and to be currently insured, or, in effect, to have vested rights in the Social Security system, a person must have 1 1/2 years of service.

Chapter 8
THE RELATIONSHIP BETWEEN SOCIAL SECURITY AND TEACHER RETIREMENT

Although some teacher retirement systems were established as early as the late nineteenth century and Social Security became effective in 1937, it was not until after the 1954 amendment to the Social Security Act that the majority of teachers had the opportunity to participate in the Social Security program as a group.

At present about 60% of the nation's teachers in 72% of the states are covered by Social Security.

Social Security coverage for teachers may either be supplemental, which is independent of the existing teacher retirement system, or coordinated with the existing system.

It is of interest to note that Rhode Island withdrew from Social Security coverage for new employees in 1963, and that New Jersey, which adopted the integrated or coordinated program in 1955, changed to a supplemental basis in 1967. Pennsylvania also shifted from the coordinated program in 1954 and at present offers three options - without Social Security, supplemental and joint coverage.

Although there was a movement for teachers to join Social Security during the mid-and late 1950s, in recent years few new systems have adopted Social Security programs.

The 1954 Amendment to the Social Security Act

When the Social Security Act was passed in 1935, employees of state and local governments were among the many employment groups that were excluded from coverage for a variety of legal and administrative reasons. The 1951 amendment to the Act permitted coverage, under an agreement between the state and federal governments and at the option of the state, of those employees not under existing retirement systems.

Legislation enacted in 1954 made OASDHI coverage available to most employees under retirement systems, provided the group of employees involved voted in favor of coverage.

In general, all members of a retirement system are covered under Social Security if the majority of the group's members voted affirmatively. However, under the "divided retirement system" provision, applicable in states named in the law, only those members who initially elected to be covered were brought under OASDHI, but all new members are automatically covered on a compulsory basis.

States in which this divisional coverage is permitted by law include the following 20 states, their political subdivisions and instrumentalities:

Alaska	Hawaii	New Mexico	Tennessee
California	Illinois	New York	Texas
Connecticut	Massachusetts	North Dakota	Vermont
Florida	Minnesota	Pennsylvania	Washington
Georgia	Nevada	Rhode Island	Wisconsin

The Social Security Handbook[75] notes that each part of the divided system represents a "retirement system coverage group" for coverage purposes. If the group is covered after 1959, employees who have an option to join must be given the same choice as given to members in the system.

If the retirement system coverage group is covered before 1960, the state may, within its discretion, give the "optional" a choice. After a retirement coverage group has been covered, all new members are covered compulsorily; if "optionals" are included, all new optionals are compulsorily covered.

It may be noted that often the effective dates of coverage under the federal-state agreement may be retroactive as follows:

Agreement to Extend Coverage Entered Into:	Coverage May Be Effective As Early As:
Before 1954	1/1/51
During 1954	1/1/54
During 1955, 1956, or 1957	1/1/55
During 1958, 1959, or 1960	1/1/56
After 1960	First day of the 5th calendar year preceding the year in which the agreement or modification is entered into.

These effective dates of coverage are important when calculating the Social Security benefits at the time of death, retirement or disability.

In conclusion, the point should be made that although the majority of teachers' retirement systems joined Social Security as a result of the 1954 amendment, there were some states which did have Social Security coverage under the 1950 amendment.

This was accomplished by dissolving the existing system, joining Social Security, and then re-establishing the state retirement system. For example, the effective date of coverage in Mississippi, Oregon, South Dakota, Utah, Virginia and Wyoming was 1951, while Arizona's coverage was effective in 1953.

Funding and the Type and Kind of Social Security Coverage for Teachers

Thirteen state-wide retirement systems to which teachers belong do not provide Social Security coverage. The number in one respect is really 14 because in 1963 Rhode Island withdrew from the local option type of Social Security coverage and today does not provide coverage for new teachers, although those individuals who originally joined the system are still covered by Social Security.

Thus, the only states in which public school teachers are generally not covered under Social Security at this time are:

Alaska	Florida	Missouri (except Kansas City and St. Louis)
California (except San Francisco)	Louisiana	Nevada
Colorado	Illinois	Ohio
Connecticut	Kentucky	
	Maine	
	Massachusetts	

Including Rhode Island as a state in which new teachers are not covered by Social Security, 36 (or 72%) of the states provide some type of Social Security coverage for teachers.

In a letter[86] to the author, Hugh F. McKenna, Director, Bureau of Retirement and Survivors Insurance of the Social Security Administration, writes, "Because educational institutions are not generally identified as to occupation, we have found it impractical to maintain a list of the public schools whose teachers are now covered.

"We understand, however," he continued, "that as of the present time the states of Alabama, Arizona, Arkansas, Delaware,

Idaho, Indiana, Iowa, Kansas, Maryland, Michigan, Mississippi, Montana, Nebraska, New Hampshire, New Jersey, North Carolina, Oklahoma, Oregon, South Carolina, South Dakota, Utah, Virginia, Washington, West Virginia and Wyoming have extended Social Security coverage to most, if not all public school teachers including teachers employed in institutions of higher learning.

"Some public school teachers," McKenna concluded, "are covered in Georgia, Hawaii, Minnesota, New Mexico, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont and Wisconsin; and in some of these states newly employed teachers will generally be compulsorily covered. Teachers in some institutions of higher leaning have also been covered in Alaska, Kentucky, Louisiana, Maine, Minnesota, Ohio, Missouri and New Mexico."

TABLE 17

State-wide Retirement Systems With and Without Social Security

I: State-wide Teachers' Systems With Social Security

State	Employer's Tax Paid by:	Type of Coverage	Effective	Kind of Coverage
Alabama	State	State-wide	1955	Supplemental
Arkansas	School District	State-wide	1961	Coordinated
Georgia	School District	Local Option (a)	1956	Supplemental
Indiana	State	State-wide	1955	Coordinated
Kansas	State, County School District	State-wide	1955	Supplemental
Maryland	State	State-wide	1956	Supplemental
Michigan	(b)	State-wide	1955	Coordinated
Minnesota	State	State-wide (a)	1960	Coordinated
Montana	School District	Local Option	1955	Supplemental
Nebraska	School District	State-wide	1955	Supplemental
New Jersey	State	State-wide	1955	Supplemental (c)
New Mexico	School District	Local Option		Supplemental
New York	School District	State-wide (a)	1958	Supplemental
North Dakota	School District	Local Option	1955	Supplemental
Oklahoma	School District	Local Option	1955	Supplemental
Pennsylvania	School, State District	(d)	1956	Supplemental
South Dakota	School District	State-wide	1951	Supplemental
Tennessee	State	State-wide (a)	1956	Coordinated
Texas	School District	Local Option	1956	Supplemental
Vermont	School District	Local Option	1963	Supplemental
Washington	School District	State-wide	1956	Supplemental
West Virginia	County School District	Local Option	1956	Supplemental
Wisconsin	State	(a)	1955	(e)

(a) Divisional

(b) The retirement system by statute is designated to pay the employer's Social Security tax from the pension fund for Michigan public school employees.

(c) All New Jersey public school teachers were covered under Social Security on an integrated or coordinated basis in 1955. However, in 1967 the type of coverage was changed from coordinated to supplemental.

(d) In Pennsylvania the original plan in 1956 was on an integrated (coordinated) and divisional basis. The legislature in 1961 permitted full supplementation at retirement, a 1963 amendment permitted full supplementation on pay-as-you-go basis. After 1964, there were three options, without Social Security, supplemental or joint coverage.

(e) Benefits are supplemental in the non-formula group while in the formula group the method is coordination and integrated by the offset method.

II: State-wide Teachers' Systems Without Social Security

Alaska	Kentucky
California	Louisiana
Connecticut	Massachusetts
Florida	Missouri
Illinois	Ohio

(continued)

TABLE 17 (continued)

State-wide Retirement Systems With and Without Social Security

III: State-wide Public Employees Systems With Social Security In Which Public School Teachers Are Members

State	Employer's Tax Paid by:	Type of Coverage	Effective	Kind of Coverage
Arizona	School District County	State-wide	1953	Supplemental
Delaware	State	State-wide	1951	Supplemental
Hawaii	State or County	State-wide	1956	Supplemental
Idaho	State	State-wide	1956	Supplemental
Iowa	School District	State-wide	1951	Supplemental
Mississippi	School District	State-wide	1951	Coordinated
New Hampshire	School District State	State-wide	1957	Coordinated
North Carolina	School District State	State-wide	1955	Coordinated
Oregon	School District	State-wide	1951	Coordinated
South Carolina	State	State-wide	1955	Coordinated
Utah	School District (a)	State-wide	1951	Supplemental
Virginia	State	State-wide	1951	Coordinated
Wyoming	School District	State-wide	1951	Supplemental

(a) Reimbursed by state

IV: State-wide Public Employees Systems Without Social Security In Which Public School Teachers Are Members

Colorado
Maine
Nevada
Rhode Island (a)

(a) Rhode Island withdrew from Social Security coverage in 1963.

Types of Social Security Coverage

Nationally, Social Security coverage of retirement systems to which teachers may belong may be classified into the following three groups:

1. State-wide coverage.
2. Local option coverage.
3. Divisional coverage.

In almost one-half of the states which have Social Security, 23 have coverage on a state-wide basis, which generally means that public school teachers within that state are covered.

A second type of coverage is the local option coverage by which local districts have the option of becoming members of Social Security. Eight states have local option coverage, and they are: Georgia, Montana, New Mexico, North Dakota, Oklahoma, Texas, Vermont, and West Virginia. It may be noted that all eight of these states have teacher retirement systems and not state-wide public employee systems to which teachers belong.

The third type of coverage, divisional, is found in five (and possibly historically in six) states which include Georgia (which also has local option), Minnesota, New York State, Pennsylvania (which has three options), Tennessee and Wisconsin.

As we had previously noted, the law enables divisional Social Security coverage in 20 states which include many which do not have Social Security coverage now.

Kinds of Social Security Coverage

States may adopt Social Security either on a supplemental basis, which means that Social Security benefits are independent, and in addition to the teacher retirement benefits; or the second method is adoption of Social Security, which is on the coordinated basis and which is integrated with the teachers' retirement system.

Teachers in New Jersey and Pennsylvania have changed from a coordinated basis to a supplemental basis in New Jersey, while in Pennsylvania the original coordinated agreement has been modified to three options which include no Social Security, supplemental, or joint coverage. Rhode Island in 1963 completely dropped Social Security.

With the exception of Vermont, in 1963, there have not been any state-wide systems which have adopted any type of Social Security coverage since 1961 when Arkansas joined the system on a state-wide basis.

Although 36 of the states have Social Security, two of the states, Wisconsin and Pennsylvania, have a combination of supplemental and coordinated agreements which leaves a new total of 34 states.

Of these, more than two-thirds, 68%, have supplemental cover, which means benefits in addition to those from the teacher or state retirement systems.

Thus it would appear that on the basis of the experience of the teachers in New Jersey and Pennsylvania that supplemental Social Security coverage is in the best interest of public school teachers.

Funding

Social Security benefits in the various states are funded by contributions of the teachers which in 1969 was 4.8% of the first $7,800 of salary and an equal tax paid by the employer.

In the area of teacher retirement nationally, the employer could be the state, the local school district, the county school district (as in West Virginia), or a combination, such as in Kansas, of state and county contribution.

Of the 36 states covered by Social Security, 61% of the states have the Social Security paid by the local school district exclusively. These include, for example, Montana, New Mexico and New York State. Another one-third of the states have the employer tax paid by the state as in Maryland, Oklahoma and New Jersey.

Chapter 9
NORMAL RETIREMENT PLANS AND BENEFITS

An understanding of the type of normal retirement plan used by a given state-wide retirement system to which teachers belong is essential to the achievement of true insight into the sector of teacher retirement.

This is so because often the size of the after-retirement benefit determines the retirement age and the provisions for disability and early retirement and vesting. Even the extent of survivors benefits and the ease of teacher mobility may be involved.

Nationally there are at present four basic retirement plans in operation in addition to a frequently used fifth plan which is a combination of two of them.

These plans, which have different historical backgrounds and philosophies, include the final average salary plan, the money purchase plan, a combination of the money purchase and the final average salary plan, the lifetime contribution plan and the service annuity plan.

The final average salary plan is continuing to become more popular and is now found in 70% of the states. Historically the service annuity, the lifetime contribution and the money purchase plans were the original plans used by the states, but because of inflation and a variety of other reasons, the shift in recent years has been in the direction of the final average salary plan.

The prime purpose of these plans is to determine the size of the after-retirement cash payment to the teacher. It is generally agreed that other benefits are secondary to this main goal.

These various plans are in effect different methods by which the after-retirement benefit is computed, and taken into consideration are such factors as the length of service, the size of the teacher's contribution and the salary level.

Final Average Salary Plan

The final average salary plan is used by 35 of the state-wide retirement systems. All 35 of them use three factors in the formula to compute the normal retirement allowance. These factors are the final average salary, a percentage factor and years of creditable service. Two of the states, California and Ohio, use age as a fourth factor in their formula.

Of all the retirement plans, the final average salary plan is most suited to combat the ravages of inflation because of the final average salary factor in the formula which tends to reflect more recent economic conditions.

The basic formula used in 24 of the states is a single formula, while 9 states use a combination of two or three formulae while two of the 35 states, Arkansas and Missouri, use most complex methods of computations.

Pennsylvania is an example of a state with a single final average salary formula. If we assume normal retirement after 30 years of creditable service and a final average salary of $7,000 the calculations for the retirement allowance (after-retirement benefits) would be:

RA = 1 2/3% X best 5 yrs. salary X yrs. of service
RA = 1 2/3% X $7,000 X 30
RA = $3,500

Thus the teacher would receive a yearly retirement allowance of $3,500 or 50% of final average salary.

States which have integrated their retirement systems with Social Security often use a combination of two formulae. Thus we find in the case of South Carolina assuming 30 years service and $7,000 final average salary.

RA = (1% of final average salary to a maximum of $4,800) plus (1 1/2% of final average salary in excess of $4,800) X years of service
RA = $48 plus $33 X 30
RA = $2,430 retirement allowance per year.

We may now consider the three chief parts of the final average salary formula in addition to the age factor.

Percentage Factor

The percentage factor ranges from 1/2 of 1% in Nebraska to 2 1/2% in both Colorado and Massachusetts. However, both these states have a limit on the retirement allowance which is 50% of final average salary in Colorado and 80% in Massachusetts.

The most usual percentage used by the 35 state-wide systems is 1 2/3%. As noted in the example of South Carolina, the retirement allowance would be 50% of final average salary after 30 years of service. The second most frequently used percentage is 2%.

Final Average Salary Factor

The nation-wide diversity in determining this factor is reflected in the fact there are at least twelve different combinations.

The most frequent ones are: final average salary is equal to the average of the best five years of service; the best five consecutive years of service; the best five years out of the last ten years.

Attention should be directed to the fact that the use of the words *consecutive* and *the best of the last ten* would appear to be devices to limit the amount of the retirement allowance.

Years of Creditable Service Factor

The majority of the states use the total number of years of creditable service in the final average salary formula. However, some of the states with a single formula limit the number of years of creditable service which may be used in the retirement plan formula.

Thus, we discover that there are years of creditable service limits in the statewide systems of Colorado (20), Georgia (40), Rhode Island (45) and Utah (35).

Related to the concept of the use of service in the formula is the definition of creditable service, which is one of the significant problem areas of teacher retirement. For example, usually the amount of out-of-state credit which may be transferred is limited, as is credit for military service in many states.

It may also be recorded that the salary level is a most important element in determining the retirement allowance according to final average salary plan.

The geographic location of a state-wide system may influence the benefits under this type of plan. For example, Leon H. Keyserling[10] reports that in 1967 the average salaries of public school teachers nationally was $6,830; the salaries vary according to the region of the country.

While the average of the salaries in the ten largest cities was $7,810; the average in New England was $7,087; Mid East $7,475; South East $5,797; Great Lakes $7,096; Plains $6,202; South West $6,089; Rocky Mountains $6,377; and the Far West $8,154.

TABLE 18

Types of Normal Retirement Plans and Formulae Used by State Systems

I: FINAL AVERAGE SALARY PLANS
(Fixed Benefit Formula)

A. Final Average Salary Plans Using One Fixed Benefit Formula

	Basic Retirement Formula			Limits on Allowance	
State	Percent Factor	Final Average Salary Factor (years)	Years of Creditable Service	Maximum % of Final Avg. Salary	Yearly Limit on Computing Final Average Salary
Alabama	1 1/4%	Best 5-last 10	all		
Alaska	1 1/2%	Best 3 of 10	all		
California (a)	1 2/3%	Best 3 (b)	all		
Colorado	2 1/2%	Best 5 (b) of 10	20	50%	
Connecticut	2%	Best 3	all	75%	
Delaware	1 2/3%	Best 5 (b)	all		$12,000
Florida	2%	Best 10-last 15	all		
Georgia	1 3/4%	Best 5 (b)	40	70%	
Hawaii	2%	Best 5	all		
Illinois	1 2/3%	Best 5 (b)-last 10	all		
Kentucky	2%	Best 5	all		
Louisiana	2%	Best 5 (b)	all		Plan A $7,500 Plan B $16,000
Maine	1 3/7%	Best 5	all		
Massachusetts	2 1/2%	Best 3 (b)	all	80%	
Mississippi (c)	1 1/2%	Best 5 (b)	all		$15,000
Nebraska	1/2 of 1%	Best 10	all		
New Jersey	1 2/3%	Best 5 (class B)	all		
Ohio (a)	1 3/4%	Best 5	all	75-80%	
Pennsylvania	1 2/3%	Best 5	all		
Rhode Island	1 2/3%	Best 3 (b)	45	75%	
Utah	1%	Best 5 (b)-last 10	all		
Vermont	1 3/7%	Best 5	35	50%	
Virginia (c)	1 3/8%	Best 5 (b)	all		
West Virginia	1%	Best 5-last 15	all		

(a) An age factor is used by both California and Ohio. An age factor is used in California along with three other factors. Ohio uses an age factor or an Ohio credit factor, together with the three other basic formula factors.
(b) Consecutive years.
(c) Both Mississippi and Virginia subtract $1,200 from the final average salary before using it in the formula.

B. Final Average Salary Plans Using Two or Three Fixed Benefit Formulae

Michigan	The benefit formula is: creditable years of service (1% of the first $4,200 of average salary plus 1 1/2% in excess of $4,200). Final average salary is the best 5 consecutive years.
Nevada	(2 1/2% X final average salary X years of creditable service to 20) plus (1 1/2% X final average salary X years of service between 20-30). Final average salary is the three best in 10 years. The maximum allowance is 65% of final average salary for 30 or more years of service.
New Mexico	Years of creditable service (1 1/2% of final average salary to a maximum of $6,000 plus 1% of final average salary in excess of $6,000). Final average salary is the average of the last five years of coverage or any consecutive 5 years.
North Carolina	Years of creditable service (1 1/4% of final average salary to a maximum of $5,600 plus 1 1/2% of final average salary in excess of $5,600). Final average salary is the best 5 consecutive years out of the last 10.
South Carolina	Years of creditable service (1% of final average salary to a maximum of $4,800 plus 1 1/2% of final average salary in excess of $4,800). Final average salary is the best 5 consecutive years in the last 10.

(continued)

TABLE 18 (continued)

Types of Normal Retirement Plans and Formulae Used by State Systems

South Dakota	Years of creditable service from July 1, 1959 through June 30, 1967 X 1% final average salary to a maximum of $4,800 plus 0.002% of final average salary X years of creditable prior service plus 1% of final average salary to a maximum of $6,000 for service after July 1, 1967. Final average salary is the average of the highest 5 consecutive years of service in the last 10.
Tennessee	Years of creditable service X 1% of final average salary plus 3/4 of 1% of final average salary above $6,600 X years of creditable service before January 1, 1966, plus compensation covered by Social Security for each year of service after January 1, 1966. Final average salary is the best 10 years.
Texas	Years of prior service X 1% X the best 10 year final average salary to a maximum of $8,400 plus 1 1/2% X final average salary to a maximum of $8,400. Final average salary is the best 10 years of service.
Wisconsin	Formula group–6/7% of final average salary plus 3/7% of earnings in excess of the Social Security base of $6,600 X years of creditable service. Final average salary is the best 5 of the last 10 years.

C. Final Average Salary Plans Using Complex Fixed Benefit Formulae

Arkansas	The benefit formula is 2% of the first $3,500 of final average salary X credited service prior to July 1, 1957; plus 2% of the full final average salary to $5,000 X credited service after June 30, 1957 and prior to July 1, 1961; plus 1 1/4% of full final average salary not to exceed $5,000 X credited service after June 30, 1961, and prior to July 1, 1965; plus 1 1/4% of full final average salary not to exceed $6,000 X credited service after June 30, 1965. Final average salary is the best 5 consecutive years in the last 10.
Missouri	Sixty cents plus 1.5% of the final average salary for each year of membership service plus 6/10 of the amount payable for a year of membership service for each year of prior service, not exceeding 30 years. An increment of 3/4 of 1% is permitted for each month of attained age in excess of 60 but not in excess of 65 years. Final average salary is 1/120 of total earnings for the best 10 consecutive years of service.

II: MONEY PURCHASE PLANS

(Retirement Allowance Based on Member's Contributions Plus Matching Pensions)

Arizona	A membership annuity is calculated by multiplying the total retirement fund balance (employee and employer contributions, interest earnings and supplemental credits) by a 3 3/4% interest annuity factor which represents typical life expectancy subsequent to the retirement age.
Minnesota	The retirement benefit consists of a money-purchase annuity based upon the member's contributions, plus interest, and the employer's and fund's contributions, and is actuarially determined according to the member's age, sex and type of annuity elected.
Oklahoma	The total allowance consists of an annuity which is the actuarial equivalent of the member's accumulated contributions plus interest, a matching pension equal to the annuity, plus a prior service pension, if the member is eligible for one. A minimum retirement allowance of $4.40 per month times the number of years of creditable service is provided at age 62.
Oregon	The benefit formula is a money purchase annuity based upon the member's contributions plus a matching pension, plus a prior service pension if the member is eligible.
Wyoming	The retirement benefit consists of an annuity based upon the member's contribution and a matching pension. The calculation of the allowance is most complex and is determined by an actuary. The following factors are considered: age, sex, membership in the former teacher system, membership in the former state association, and membership in the new system. In addition, the calculation of the retirement allowance involves three different allowance rates or formula for service under former systems if retirement is before age 55 and a flat $2.50 per month prior to April 1, 1953 if retirement is at age 65.

(continued)

TABLE 18 (continued)

Types of Normal Retirement Plans and Formulae Used by State Systems

III: COMBINED MONEY PURCHASE PLUS FINAL AVERAGE SALARY PLANS

(Retirement Allowance Based on Member's Contributions Plus Pension Determined by Fixed Formula)

Indiana	The members' total contributions and interest X a factor determined by age at time of entrance to teaching and years of service plus the benefit formula of .6% of the first $3,000 plus 1.1% of the excess final average salary over $3,000 X years of service. Final average salary is the best X 5 years.
Maryland	The retirement allowance is composed of an annuity which is the actuarial equivalent of the member's accumulated contributions and a pension of 1/140 of final average salary for each year of membership service, and 1/70 of final average salary for prior service with a minimum allowance of 1/70 of final average salary for creditable service guaranteed. Final average salary is the 5 highest consecutive years.
Montana	The retirement allowance is an annuity which is the actuarial equivalent of the member's accumulated contributions plus a pension of 1/140 of final average salary X years of membership. There is an additional prior service pension of 1/170 of final average salary per year. The final average salary is the average of the best 3 consecutive years.
New Hampshire	The retirement allowance is an annuity which is the actuarial equivalent of the member's contributions at the time of retirement and a state annuity payable prior to age 65 which, combined with the member's annuity is equal to 1/60 of final average salary X years of creditable service to a maximum of 30 years plus 1.120 of such compensation X the number of years in excess of 30.
New York	Prior to July 1, 1968 the retirement allowance was calculated as a combined money purchase-state pension plan. However, as of July 1, 1968 a new service retirement plan went into effect establishing a true member non-contributory plan. The employer makes all the required contributions, with the employee having the option of making voluntary contributions for purchase of an annuity in order to increase the retirement allowance. The new formula is basically a final average salary plan but because of past member contributions and the possibility of present member contributions, the plan is, in effect, still a member annuity and state pension plan. The retirement allowance calculation by the new formula is that for service before 1959 there is 1/100 per year of service X final average salary for the first 25 years of service, 1/120 of final average salary for service during the 26th through 35th years, plus service after 1959 calculated as twice the above rates of 1/50th for 25 years, 1/60th for 26 through 35 years and 1/70th for years of service beyond 35 years. Final average salary is the best 5 consecutive years.
Washington	The retirement allowance is an annuity purchased with the member's accumulated contributions and interest, and a pension from the state funds under the following formula: 1/120 X final average salary X total years of service. Final average salary is the best 5 in the last 10 years of service.

IV: LIFETIME CONTRIBUTION PLANS

(Retirement Allowance Based upon Total Contributions of Members)

Idaho	The retirement allowance after July 1, 1967 is one-third of total contribution made from salary without interest.
Iowa	The retirement allowance formula is 1 1/4% of the member's average annual salary after July 1953 X years of service.
North Dakota	This plan could be considered as a combination of the lifetime contribution plan and a service annuity plan. The benefit formula for a single life annuity is 2% of total earnings for the first 25 years of service with a minimum of $750, plus $100 per year of teaching service beyond 25 years until a maximum of $1,200 is obtained, plus $60 for each year of teaching service beyond the $1,200 to retirement.

(continued)

TABLE 18 (continued)

Types of Normal Retirement Plans and Formulae Used by State Systems

V: SERVICE ANNUITY PLAN

(Retirement Allowance Based upon Years of Service)

Kansas	The retirement allowance is calculated from an annuity based upon the member's accumulated contributions, plus interest, plus a service annuity from the state based upon the following formula: from 1 to 9 1/2 years of service, $1 per month for each year of service; 10 to 19 1/2 years of service, $1.50 per month for each year; 20 to 24 1/2 years of service, $2 per month for each year of service; 25 or more years of service, $3.50 per month for each year not to exceed 35 years of service in the schools of Kansas.

TABLE 19

AGE AND SERVICE REQUIREMENTS FOR NORMAL RETIREMENT AS DETERMINED BY STATE LAW

The first number is age and the second number is years of creditable service. The word none is used if there are no age or service requirements.

65 - None	65 - 4	65 - 5	65 - 10	65 - 15	63 - 10	62 - 5
Arizona Iowa Massachusetts North Carolina Oregon South Carolina Virginia Wisconsin	Utah	Idaho Nebraska Ohio	Indiana Kansas Mississippi New Mexico Texas	South Dakota Utah	Georgia	Pennsylvania
62 - 10	**62 - 30**	**60 - None**	**60 - 4**	**60 - 5**	**60 - 10**	**60 - 15**
Oklahoma	North Carolina	Delaware Kentucky Maine Maryland New Hampshire New Jersey Tennessee Vermont	Wyoming	California Missouri Montana Washington West Virginia	Alabama Florida Michigan Nevada Rhode Island	Alaska Louisiana New Mexico
60 - 20	**Any - 30**	**Any - 35**	**55 - 5**	**55 - 25**	**55 - 30**	**60 - 30**
Colorado Connecticut Illinois Texas New York	Delaware Maine Maryland Minnesota Washington	Connecticut New York Ohio Rhode Island West Virginia	Hawaii	North Dakota	Louisiana Nevada	Pennsylvania Virginia Wisconsin

The following states have alternate provisions for normal retirement:

Connecticut	Delaware	Louisiana	Maryland	Nevada	New Mexico	New York
60 - 20 None - 35	None - 30 60 - None	60 - 15 55 - 30	60 - 0 0 - 30	60 - 10 55 - 30	60 - 15 65 - 10	60 - 20 None - 35
Ohio	**Pennsylvania**	**Rhode Island**	**Texas**	**Virginia**	**Washington**	**West Virginia**
65 - 5 None - 35	62 - 5 60 - 30	60 - 10 None - 35	60 - 20 65 - 10	65 - None 60 - 30	65 - 5 None - 30	60 - 5 None - 35

The Age Factor

Two of the 35 state-wide retirement systems using the final average salary plan use the age factor. These states are California and Ohio. This is a most interesting idea because it is a method which could be employed to determine easily the early retirement benefits before retirement and then increase the benefits after the normal retirement age.

In California the normal retirement age is 60, and the age factor by sex becomes the fourth part of the final average salary formula. The discount and increase age factors are:

Retirement Age	Male	Female
55	.720	.731
60	1.000	1.000
65 and over	1.372	1.361

The final average salary formula for a female teacher retiree at age 55 with credit for 25 years of teaching service and with a final compensation of $10,000 a year would be:

RA = Age factor X percentage X final average salary X years of service
RA (retirement Allowance) = .731 X 1 2/3% X $10,000 X 25
RA = $3,047.50 per year

Limits Imposed by States Upon Final Average Salary Plan Benefits

Apparently in the interest of cutting the cost of the operation of the system, many states use various devices to limit the retirement benefits resulting from the final average formula.

Some of these methods include a limit on out-of-state and military service, a low percentage factor, using the words consecutive or setting the average salary factor as the average of the best ten years as in Nebraska or the best ten years of the last fifteen years as in Florida.

Other methods include the limiting of the years of creditable service such as 20 years in Colorado, or setting a maximum percentage of the final average salary as a limit to benefits as 50% maximum of final average, as in Vermont.

Delaware sets a $12,000 limit on computing final average salary, while both Mississippi and Virginia substract $1,200 from the final average salary before using it in the formula.

Money Purchase Plan

The money purchase plan was one of the most popular types of plans when teacher retirement systems were being established.

The original and basic philosophy of the money purchase plan is that the after-retirement benefits to the teacher would be financed equally by the teacher and the employer. It is sometimes referred to as the matching pension plan.

In general use in the field of retirement is the term annuity, which is often associated with the contribution by the teacher, and pension, which refers to the contribution by the employer.

We find under the money purchase plan that at time of retirement, the teacher's contributions plus interest are used to purchase a lifetime annuity, and this amount is matched by the employer. Variations of this plan have been developed, but this is the basic consideration.

Nationally, there are five states which may be categorized as having money purchase plans. These states include: Arizona, Minnesota, Oklahoma, Oregon and Wyoming.

For example, in Oregon we find that the benefit formula is a money purchase annuity based upon the member's contributions plus a matching, plus a prior service pension if the member is eligible. Frequently prior service time is considered in teacher retirement.

The structure of the money purchase plan is founded on the amount of yearly contributions by the teacher, the length of time of these contributions and the interest earned.

For a number of reasons in recent years, statewide retirement systems have been changing from the money purchase plan to the final average salary plan which is more sensitive to inflation.

Recently shifts from a money purchase plan to a final average salary plan have occurred in Alabama, Georgia, South Carolina and Tennessee.

It is a general feeling supported by the number of existing plans that the final average salary plan at this time does more for the teacher than the money purchase plan. One important factor is that the length of service is important in the money purchase plan, and there is a move towards earlier retirement.

Another consideration is that the final average salary plan more effectively combats inflation by stressing the final average salary factor.

Combination of Money Purchase Plan and Final Average Salary Plan

Six states in the nation may be classified as having a combination of the money purchase plan plus the final average salary plan. These states are: Indiana, Maryland, Montana, New Hampshire, New York and Washington.

In Montana, the retirement allowance is an annuity which is the actuarial equivalent of the member's accumulated contributions plus a pension of 1/140 of final average salary times years of membership. There is also an additional prior service pension of 1/170 of final average salary per year.

Depending upon the point of view, this combined formula plan converts the money purchase plan into a more effective instrument but decreases the value of the pure final average salary plan.

Lifetime Contribution Plan

The lifetime contribution plan also represents a plan which was often used in earlier days when the prime philosophy of retirement frequently was that retirement allowances should be based not on salary but only upon the teacher's contributions.

In effect this philosophy held that the major responsibility for after-retirement benefits was primarily the teacher's and that the employer was not really responsible.

Only three states, Idaho, Iowa and North Dakota, presently have this plan. It is of interest to note that in 1967 both Idaho and Iowa changed from a money purchase plan to a lifetime contribution plan.

Generally, under this plan the retirement allowance consists of a percentage of the total contributions of the teacher. Thus in Idaho the retirement allowance after July 1, 1968 is one-third of total contributions made from salary, without interest.

Service Annuity Plan

Kansas is the only state in the nation using this plan after Nebraska, in 1968, changed from a service annuity plan to a final average salary plan.

The only basis for calculating the pension section of the retirement allowance is length of service, generally, in one state. Often later years of service are given more credit than the earlier years.

Thus in Kansas the retirement allowance is computed from an annutiy based upon the members' accumulated contributions, plus interest, plus a service annuity from the state.

The service annuity is based upon the following formula: from 1 to 9 1/2 years of service, $1.00 per month per year; 10 to 19 1/2 years of service, $1.50 per month per year; 20 to 24 1/2 years of service, $2.00 per month per year of service and 25 or more years of service $3.50 per month for each year, not to exceed 35 years of service in the public schools of Kansas.

Use of this plan has decreased over the years, although it was one of the original types of plans found in the nation. Changing social and economic conditions have contributed to the loss of popularity of the service annuity plan.

Age and Service Requirements for Normal Retirement Benefits

When an individual plans to retire and receive the maximum benefits, there are two major factors which must be considered, and they are:

1. Qualifying for the right to retire.
2. The amount of money to be received, the retirement allowance.

Now in the first section of this discussion on normal retirement we have considered point 2, which is the method used to determine the amount of the retirement allowance.

However, the prospective retiree can not receive any benefits until he has qualified to retire, and this is the subject of our present investigation.

The basic requirements for normal retirement are either/or/ and age and years of service.

The national diversity in the right to retire requirements is found in the fact that there are no fewer than 21 combinations which include the requirements of age 65 and no years of service requirements in eight states to age 55 and five years of service in Hawaii.

The most popular requirements for the right to retire are age 65 and no years of service in eight states and age 60 and no years of service also in eight states.

While most states have age and service requirements, at least ten states have only service requirements such as in Maine and Ohio.

In addition fourteen states such as Texas and West Virginia and Maryland have alternate provisions for normal right to retire requirements. Thus, in New York State teachers may retire at age 60 after 20 years of service or after 35 years of service, regardless of years of service.

There is presently a national trend towards lower right-to-retire requirements for teachers.

While in 1967, 22% of states were found at the upper limit of the age requirements of 65 and no years of service, in 1969 there were only 16% of the states found in this category. Other states such as Missouri, Utah and North Carolina, to mention only a few, also lowered their right-to-retire requirements.

Chapter 10
DISABILITY RETIREMENT

Historically the original emphasis of many teacher retirement plans was not only on the major goal of after-retirement payments as compensation for income loss, but also upon disability retirement.

However, despite this early awareness of the importance of disability, at present across the nation disability retirement allowances tend to be inadequate.

This inadequacy is most interesting when it is considered that actuarially relatively few people in general, and teachers specifically, become disabled before the age of 50, but those who do are frequently in dire need of financial assistance to support their families.

Nevertheless, disability retirement is recognized in 49 of the states, Iowa being the only one which does not provide this service to their teachers.

The most frequent requirement for disability retirement is 10 years of service at any age. Texas is the only state in the nation which does not have any age or service requirements.

It should also be stressed that those teachers with Social Security coverage may qualify for disability benefits under OASDHI.

Requirement for the Right to Receive Disability Benefits

Although age and years of service tend to be typical prerequisites for normal and early retirement benefits, teachers in most states must meet only the required minimum number of years of service to qualify for a disability retirement allowance.

Both age and service requirements are found only in Georgia, Minnesota, Massachusetts and New Jersey.

For example, in New Jersey a teacher must be 63 years old and have fifteen years of creditable service before qualifying for disability retirement benefits.

While the most popular requirement for disability retirement is ten years of service without any age qualification (found in 50% of the states), the second most common requirement is fifteen years of service without an age factor.

The third most usual requirement is five years of service at any age. More than 80% of the states are included in the 5-10-15 years of service without any age categories.

A trend towards more liberal qualifications is reflected in the fact that since 1965 the percentage of states in the 5-10-15 years of service and no age classification has increased from 74% to 82%. This increase is due to states' lowering their service requirements.

This general trend towards lower service requirements is seen in the case of Ohio which recently changed from an under age 60 with five years of service requirement to no age and seven years of service. There has also been a lowering of the service qualifications in Georgia, Hawaii, Indiana, Illinois, Oklahoma, Pennsylvania and North Carolina.

It is of interest to note that a few states provide increased benefits related to service connected disability. Thus, in Massachusetts for accidental disability, arising out of an accident or hazard undergone while in the performance of duties, the retirement allowance is two-thirds of the member's salary on the date of the accident or two-thirds of the salary for the one year period preceding retirement, whichever is greater, plus an annuity at true age based on the member's total accumulated contributions plus $312 annually for each child until he attains the age of eighteen.

Another facet of the disability retirement picture is the recognition by a few states of temporary disability benefits. The general definition of disability is usually permanent and/or total disability.

Under the program in Illinois, a temporary disability benefit is payable to a member with five years or more of creditable state service who temporarily is mentally or physically incapacitated to perform the duties of a teacher.

The allowance is 40% of the member's salary at the time of the disability and is payable until:

1. The disability ceases.
2. Age 65 is reached.
3. The aggregate period for which the temporary disability payment, made to the member during his entire period of service becomes equal to one-fourth of the total period of his creditable service, excluding the period during which he received temporary disability benefits.
4. The member is gainfully employed.

A most important point is that disability retirement time should be credited for normal retirement considerations, otherwise a teacher whose disability was only temporary would be penalized at the time of normal retirement, especially under the final average salary plan formula.

The Disability Retirement Formula

The most usual method of computing the disability allowance is by actuarially reducing the normal retirement allowance.

Length of service, member's contributions and a percentage are factors often used in the formula. Alabama, for example, uses both a member's contribution and percentage factors, while Maine employs the same formula as for normal retirement.

A survivor benefit is included in the disability retirement plan in Alaska. The disability retirement of a teacher who becomes disabled in Alaska after July 1, 1966, is 50% of his base salary immediately prior to becoming disabled, plus 10% for each minor child under eighteen, to a maximum of four children.

Connecticut uses a percentage and length of service factor in the formula which is 1/65 of average salary per year with a minimum of ten years of service.

Limits on Disability Retirement Benefits

As in most other areas of retirement, the states have often imposed certain limits as cost cutting methods, but these limits on retirement benefits often make the benefits inadequate.

This is especially evident in the area of disability retirement. One of the limits found most frequently is the years of service requirement which averages ten years.

The setting of an upper limit on the allowance is also another of these apparent cost cutting factors.

TABLE 20

Age and Service Requirements for Disability Retirement

The first number is age and the second number is years of creditable service. The word "none" is used if there are no age or service requirements.

None - None	No Provisions	None - 5	None - 7
Texas	Iowa	Alaska Arizona California Louisiana Maryland Ohio Wisconsin	Rhode Island Indiana
None - 8	**None - 10**	**None - 15**	**Under 63 - 15**
Missouri	Alabama Arkansas Connecticut Florida Hawaii Idaho Illinois Kentucky Maine Michigan Mississippi Montana Nevada New Hampshire New Mexico North Carolina Oklahoma Oregon Pennsylvania South Carolina Tennessee South Dakota Utah Virginia West Virginia	Colorado Delaware Kansas Nebraska New York North Dakota Vermont Washington Wyoming	Georgia
Under 60 - 10	**Under 55 - 15**	**To 70 - 10**	**Optional Plan**
New Jersey	(Non-Veteran) Massachusetts	(Veterans) Massachusetts	Minnesota To 50 - 10 Over 50 - 5

Chapter 11
EARLY AND "MANDATORY" RETIREMENT OF TEACHERS

Early and compulsory retirement represent the extremes of the teacher retirement spectrum.

As has been reported, the normal retirement age is the earliest age at which the teacher meeting the stipulated requirements can retire on his own volition and receive the full amount of the benefits due him under the plan's normal retirement formula.

Early retirement means retiring at an earlier age than normal retirement, usually with retirement benefits at an actuarial reduction of the normal retirement allowance.

The compulsory retirement age is the age at which the law requires the teacher to retire.

In the pension field the term early retirement can be confusing because early retirement could be considered to include disability retirement, vesting and possibly portability.

However, in actual practice, the term early retirement is used to describe a special type of retirement with the resulting retirement qualifications and benefit level.

It is therefore possible to list the following types of retirement provisions designed to protect the equity of the teacher before qualifying for the full normal retirement benefits:

1. Early Retirement.
2. Disability Retirement.
3. Vesting Retirement.

Early Retirement

As has been noted, early retirement means retirement with less than the full normal retirement benefits, with the retirement allowance beginning immediately upon termination of teaching service.

Although there are a number of reasons for early retirement, Bernstein[3] observes that probably the main cause for early retirement has been failing health, which falls short of total disability.

In this respect early retirement is a form of partial disability retirement because the major type of disability retirement in statewide plans for teachers is for total and not partial disability.

In general, the cost of early retirement is greater to the teacher than to the employer because early retirement age requirements are usually within a few years of the normal retirement age.

For example, it is reported in a study, *Labor Mobility and Private Pension Plans* by the B.L.S., that "the actuarial reduction typically results in the male worker retiring at age 60, receiving about two-thirds of the benefit amount payable at 65 for equivalent service. Thus, if he postponed receipt of benefits until the normal retirement age, he would increase his monthly retirement income by about one-half."[60]

Requirements for Early Retirement

Across the nation, the most usual requirement for early retirement for teachers is 30 years of service at any age. This would mean that if an individual began teaching at age 25, he would be eligible for early retirement at age 55. This is the case in such states as New Mexico, Rhode Island and Tennessee.

Typical requirements are for both age and years of service, such as age 55 with ten years of service in Florida, and age 60 with ten years of service in Georgia and Kansas.

Other states have only age requirement and no service requirement. Thus, the early retirement requirements in Iowa is age 55 and no service, and age 50 and no service in Wisconsin.

Other states have only service requirements. In Hawaii the requirements for early retirement are 25 years of service at any age, while in South Carolina and Nebraska the requirements are no age and 35 years of service.

The highest age requirement is found in Utah with age 62 and ten years of service needed for early retirement.

A few states including Delaware, Louisiana, Montana, Nevada and New Hampshire have no early retirement because the normal retirement and early retirement requirements are identical.

Compulsory Retirement

One of the controversial areas in the pension field is the subject of mandated or compulsory retirement of teachers. It represents a historic philosophical conflict whereby the employer wants to maintain the right to determine when retirement should take place, while on the other hand the position of the teacher is that the age should not be mandatory.

In this respect, Joe Swire states, "Unions by and large are opposed to compulsory retirement...basically, we believe that a man should work as long as he can, if he wants. We agree with management that if the worker can't produce satisfactorily, he should be retired. But if he wants to work and can produce satisfactorily, we see no reason why he should be retired."[89]

In one respect, compulsory retirement because of age could be considered as a distinctive retirement category as are normal, early, vesting and disability retirement.

Other types of retirement offer the employee varying degrees of choice with the possible exception of disability retirement. However, in the instance of compulsory retirement, a judgment is made which arbitrarily states that after a certain age all teachers are in effect incapable of performing their tasks.

It is widely recognized that in industry the usual retirement age is 65 because this is the age full Social Security benefits are available.

The definite divergence in the compulsory retirement laws of state-wide retirement systems regarding the age at which a teacher is forced to retire raises serious and perplexing questions.

For example, the local school board in New Mexico may request that a teacher retire at age 62, while in Delaware the teachers may work until age 75.

Nationally, age 70 is the mandatory retirement age in 22 of the states; in 16 other states there is no mandatory retirement age, but often local school boards have legal authority to request retirement at various ages.

Under a separate statute in Ohio, for example, employment contracts may be terminated at age 70; in Illinois, no credit is granted beyond the year in which age 70 is attained; in New York State, the employer has the right to request retirement at age 70.

TABLE 21

Age and Service Requirements for Early Teacher Retirement

The first number is age and the second is years of creditable service. The word "none" is used if there are no age or service requirements.

62 - 10	60 - None	60 - 1	60 - 5
Utah	Oregon Virginia	Georgia Oklahoma	Arizona Ohio
60 - 10	**60 - 20**	**55 - None**	**55 - 5**
Georgia Kansas	South Dakota Utah	Iowa Massachusetts	California Idaho
55 - 10	**55 - 15**	**55 - 20**	**55 - 25**
Florida Minnesota North Dakota	Alaska Texas	Illinois New York	Ohio Washington
55 - 30	**55 - 35**	**50 - Any**	**50 - 15**
Michigan Mississippi Utah West Virginia	Colorado Georgia	Wisconsin	Indiana
50 - 20	**None - 25**	**None - 35**	**None - 30**
North Carolina	Connecticut Hawaii New Jersey Pennsylvania Wyoming	Nebraska South Carolina Vermont	Alabama Arkansas Kentucky Maine Maryland Missouri New Mexico Oklahoma Rhode Island Tennessee Texas

Same as Normal	Georgia	Texas	Oklahoma
Delaware Louisiana Montana Nevada New Hampshire	55 - 35 60 - 10 None - 35 (a) 60 - 1 (a)	55 - 15 None - 30	60 - 1 None - 30

Utah	Ohio
55 - 30 60 - 20 62 - 10	55 - 25 60 - 5

(a) Applies to teachers who were members of the system as of June 30, 1961

TABLE 22

Age Requirements for
Mandatory Retirement

Age 65	Age 68	Age 70
Indiana	Louisiana (a)	Alabama
Mississippi		Arizona
Nebraska		Connecticut
New Hampshire		Florida
North Carolina		Georgia
Tennessee		Hawaii
West Virginia		Idaho
Wyoming		Iowa
		Kansas
		Kentucky
		Maine
		Maryland
		Massachusetts
		Missouri
		Montana
		New Jersey
		Ohio
		Oregon
		Pennsylvania
		Rhode Island
		Vermont
		Virginia

None (b)		Age 72	Age 75
Alaska (c)	New York (d)	Arkansas	Delaware
California	North Dakota	South Carolina	
Colorado	Oklahoma		
Illinois	South Dakota		
Michigan	Texas		
Minnesota	Utah		
Nevada	Washington		
New Mexico	Wisconsin		

(a) Retirement mandatory at age 68 but school district may request retirement at age 65
(b) Retirement generally at request of school district
(c) Not mandatory but may be requested at age 65
(d) Not fixed by retirement law but a local board may request retirement at age 70

Chapter 12
VESTING RETIREMENT AND PORTABILITY

Vesting

Vesting may be defined as a guarantee to the teacher of a right or equity in a pension plan based upon all or part of his accrued retirement benefits should his employment terminate before achieving eligibility for full normal retirement benefits.

If his rights are vested, the teacher is entitled to a future retirement benefit when he reaches retirement age regardless of where he is employed at the time.

Vesting in one respect may be considered as a type of retirement with specific age and/or service and time of payment requirements.

The difference, however, between the usual form of retirement and vesting retirement is that after the retirement requirements are met, for example, in normal retirement, the teacher leaves the job, and the retirement allowance payments begin immediately.

However, whenever the vesting requirements are met, the teacher may leave the job, but usually must wait until he reaches a specified age before receiving an allowance payment.

After meeting the vesting prerequisites, the member's rights vest. The teacher then has a fixed right to a deferred allowance derived both from the member's and the employer's contributions. For example, in Florida a teacher's rights vest at any age after ten years of service. The payment of the vesting allowance is deferred until age 55.

David M. Wittes, treasurer of the United Federation of Teachers, presents an excellent picture of the New York City vesting rights law in an article in *The United Teacher.*

Donald M. Landay and Harry E. Davis[39] writing in the *Monthly Labor Review* noted that in the private pension field there are three types of vesting.

Nationally, three types of vesting provisions are also found in statewide pension systems in which teachers are members. They include:

1. Immediate full vesting.
2. Deferred full vesting.
3. Deferred graded vesting.

The greatest percentage of plans utilize the deferred full vesting method. Under deferred full vesting, eligible teachers retain a right to all accrued benefits upon meeting the specified requirements. As noted, Florida is an example of deferred full vesting.

TABLE 23

Vesting Right Provisions and Deferred Allowances

State	At Age	With Years of Service	Earliest Age Deferred Allowance Is Available
Alabama	55	10	60
	Any	15	60
Alaska	(a)	10	60
Arizona	Any	5	60
Arkansas	Any	20	60
	60	10	60
California	Any	5	55
Colorado	Any	5	65
Connecticut	Any	10	60
Florida	Any	10	55
Georgia	Any	20	60
Hawaii	Any	5	55
Idaho	Any	10	55
Illinois	(b)	10 (b)	60
Indiana	Any	15	50
Iowa	Any	8	55
	55	Any	55
Kansas	Any	10	60
Kentucky	Any	10	60
Louisiana	Any	20	60
	Any	10 (d)	60
Maine	Any	10	60
Maryland	Any	20	60
Massachusetts	(Any before 55)	20	Immediate (f)
	Any	6 (d)	55
Michigan	50	10 to 25	60
	Any	Over 25	60
Minnesota	Any	10	55
Mississippi	Any	16 (e)	60
Missouri	Any	20	60
Montana	Any	5	60

(continued)

TABLE 23 (continued)

Vesting Right Provisions and Deferred Allowances

State	At Age	With Years of Service	Earliest Age Deferred Allowance Is Available
Nebraska	Any	5	65
Nevada	Any	20	60
New Hampshire	Any	15	60
New Jersey	Any	15	60
New Mexico	Any	15	60
New York	Any	10	55
North Carolina	Any	12	60
Ohio	Immediate vesting		60 with 5 yrs service 55 with 25 yrs service
Oklahoma	Any	20	60
Oregon	Any	5	60
Pennsylvania	Any	10	62
Rhode Island	Any	10	60
South Carolina	Any	15	60
South Dakota	Any	25	62
Tennessee	Any	10	60
Texas	Any	20	60
	Any	10	65
Utah	Any	4	65
Virginia	Any	10	60
Washington	Any	5	60 (d)
West Virginia	Any	20	60
Wisconsin	Immediate vesting		50 (d)
Wyoming	Any	4	60

(a) Attained age and service credit must add to 75
(b) Benefits after 10 years of service if one year after July 1, 1963 and three years after reaching age 55
(c) At least eight years of service after July, 1953
(d) Conditions qualified
(e) Partial vesting after 16 years service and full vesting after 20 years
(f) Or deferred to age 55

No provisions for vesting:

Delaware North Dakota Vermont

Deferred graded vesting is a second method employed. By this method teachers initially acquire a right to a certain percentage of accrued benefits upon fulfilling the stipulated requirements; the percentage increases as additional requirements are fulfilled, until workers become fully vested.

Benefits vest partially after sixteen years of service and full after 20 years of service, and a deferred retirement allowance is payable at age 60. If the member has served less than 20 years, his deferred allowance is a full annuity based upon his own contributions, plus a proportionate part of the pension due for membership and prior service equal to 20% for each year of service over fifteen.

In contrast to these deferred methods, under immediate full vesting, all benefits are fully vested as soon as they are earned, starting from the day of participation. There is immediate full vesting in two statewide retirement systems - Ohio and Wisconsin.

An evaluation of the vested right at the time the teacher receives it is seen in the cost of vesting in a study by the B.L.S. It shows that in order for an individual to receive monthly cash payments of $120 a month at age 65, the cost of such an individual annuity at age 45 would be $7,980 while the cost at age 65 would be $17,040.

Nationally, there are only three state-wide systems which do not have vesting provisions. These states are Delaware, North Dakota and Vermont. All of the other states have some form of vesting provisions.

Requirements for vesting retirement are age and service, although the most usual requirement is years of service at any age. Only a few states including Alabama, Iowa and Michigan have age requirements.

The most frequent requirement is ten years of service at any age. It is of interest to note that about 60% of the states have a service requirement of ten years or less.

Twenty states have the ten year service requirement, and ten other states have service requirements of five years or less.

A few states, such as Alabama, Arkansas, Iowa, Louisiana, Massachusetts and Michigan have alternate requirements.

Portability

The concept of portability based upon reciprocity isn't presently found to any important degree in state-wide systems to which teachers belong although a few states have agreements for the purchase of out-of-state service.

The concept is, however, in use in private multi-employer pension plans. The concept is that the workers are permitted to carry along their previously earned pension credits as they do under the national Social Security system as they move from one employer to another.

These multi-employer plans with portability of pension credits are found in industries such as mining, electrical work, clothing work, and iron work.

Troy Hardin, writing in a publication of the National Foundation of Health, Welfare and Pension Plans,[34] notes that reciprocity agreements may be either the exchange of money or pension credits.

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Chapter 13
CREDITABLE YEARS OF SERVICE

A vital consideration in teacher retirement is the subject of creditable years of service both as a qualification for the right to retire and then, generally, as a factor in the determination of the all important retirement allowance.

As has been mentioned previously, one of the major problem areas in the retirement field is the restriction placed by the states upon the systems.

Often instituted in a sincere desire to cut the cost of the system, these methods frequently limit the freedom of the individual teacher.

This point is dramatically illustrated by an examination of the treatment of out-of-state credit and military service credit by the various states which often results in penalizing teachers who move from state to state or serve in the armed forces.

Credit for Out-of-State Teaching Service

Ideally, it would seem that if a teacher moved from one state to another, he would have the opportunity to receive credit for his past efforts.

TABLE 24

Qualifications and Purchase Cost of Out-of-State Teaching Service

Credit For Five Years	Credit For Seven Years	Credit For Eight Years	Credit For Twelve Years	Credit for Fifteen Years	Credit For Sixteen Years
Montana (e)	North Dakota	Indiana (c)	Pennsylvania	Michigan (f)	Kentucky (d) (f)
New Mexico (e)					
Oklahoma (e) (f) (g)					

No Credit For Out-of-State Teaching Service	Credit for 10 Years Out-of-State Service	Purchase Cost Equals Member's Plus Employer's Contributions (h)
Alabama	Alaska	Arkansas
Arizona	Arkansas	Florida
California	Connecticut (b) (f)	Georgia
Colorado	Florida (e) (f)	New Mexico
Hawaii	Georgia (b)	North Dakota
Idaho	Illinois (g)	Pennsylvania
Iowa	Maine (e)	Texas
Louisiana	Massachusetts (f) (g)	
Maryland	Missouri (f) (g)	
Minnesota	Nebraska (g)	
Mississippi	New Jersey (f)	
Nevada	New York	
New Hampshire	Rhode Island	
North Carolina	Texas (e) (g)	
Oregon		
South Dakota		
Tennessee		
Utah		
Virginia		
Washington		
Wisconsin		
Wyoming		

Only Credit Retirement Eligibility	No Maximum Out-of-State Credit Limit	Purchase Cost Include Only Contributions From Members (h)
Delaware	South Carolina (a)	Alaska
Kansas	West Virginia (b)	Connecticut
Ohio		Kentucky
Vermont		Maine
		Massachusetts
		Michigan
		Missouri
		Montana
		Nebraska
		New York
		Oklahoma
		South Carolina

(a) Service credit purchase not more than one-half South Carolina service
(b) Reciprocal with other states
(c) Or one-third of state service
(d) Eight years of service before 1940 and eight years of service after 1940
(e) Years of state service required for out-of-state credit
(f) Non-purchase or transfer from plan where benefits will be received
(g) Ratio of years of state service to qualify for years of out-of-state service
(h) Also usually includes interest

However, this is not commonly the case.

Across the nation there are 22 states which do not grant any credit for out-of-state service and four others which give credit only for use in the right to retire requirement, and not if applicable in the computation of the retirement allowance.

There are more than 50% of the states which do not recognize out-of-state credit in determining the retirement allowance.

For example, if a teacher moved to California or Tennessee after teaching 15 years in another state, he would not have the opportunity to receive past service credit from these states and could possibly lose all fifteen years of his retirement rights.

Of those states which do recognize out-of-state credit, the most frequent maximum number of out-of-state service years which may be purchased are ten years. It is possible to receive credit for sixteen years of out-of-state service in Kentucky, fifteen years in Michigan and twelve years in Pennsylvania. There are no maximum limits on out-of-state service in South Carolina, but a teacher may not purchase more than one-half of South Carolina service, and in West Virginia there is no maximum, but for credit there must be a reciprocal basis with the other state involved.

Although a teacher has the opportunity to purchase out-of-state service, the next question is how much it will cost and can he afford it?

The extent of this problem is seen by the fact that at least 14% of the states require a teacher to pay an amount not only equal to the employee's contribution but also the employer's contribution plus interest, in most cases. These states include Arkansas, Florida, Georgia, New Mexico, North Dakota, Pennsylvania and Texas.

In this area of credit for out-of-state service, we find restrictions within restrictions. Oklahoma is an excellent illustration. A teacher moving into Oklahoma has the opportunity to purchase only five years of service. But in addition to this, other restrictions include the requirement of a 2 to 1 ratio years of state service to qualify for out-of-state service; no out-of-state service may be purchased or transferred from a plan where benefits will be received.

There are a number of other states which have the same type of restrictions. It should be noted, in conclusion, that a few states such as Georgia have a reciprocal agreement with other states concerning out-of-state service.

Credit for Military Service

A teacher should not be penalized for fulfilling his military obligation. However, many teachers across the nation do lose some of their retirement rights because of military service.

Although all states make some provisions for military service credit, these provisions are most diversified and are subject to numerous and varied restrictions.

Slightly more than one-half of the states grant credit for military service without its being during time of war or national emergency. However, a number of other states, such as Montana, do require that service must be during time of war, and Delaware specifies that service be during time of war or national emergency.

It is a usual requirement that one year of creditable military service is equal to one year of membership service, but more than one-half the states place a limit on the total number of years of military service which is acceptable. For example, a teacher in New Mexico could receive not more than five years of acceptable military service.

Another frequent qualification is that to receive credit for military service the teacher must have taught in that state before and after the military service. At least 20% of the states do not have this requirement. For example, in Alaska and New Jersey, it is possible for a teacher to obtain military service credit without having previously taught in these states.

In more than half of the instances, the state pays the cost to the retirement system for the military credit, while in about 25% of the states, the teacher pays the cost on the basis usually of his salary either just before or after the military service.

Chapter 14
THE MOBILE TEACHER

The protection of the retirement rights of the career teacher who moves from one state or major retirement system to another is one of the really urgent problems in the area of teacher retirement.

This is so because most authorities agree that the prime goal of a retirement system is the adequacy of the retirement allowance, and this after-retirement payment can be materially reduced because of the loss of years of service credit due to mobility.

The complexity of the problem becomes evident when it is considered that in order to obtain complete reciprocity it would probably be necessary to obtain a working agreement between at least 75 major political units across the nation which would include the 50 states and at least the 25 major cities which have separate teacher retirement systems.

The situation has, however, just about arrived at that critical stage where some definite changes are about to take place either by plan or default.

The Nature of the Mobile Teacher Problem

In general, a teacher receives a meager retirement allowance if he retires with less than 20 years of creditable service, possibly due to funding considerations. This is seen by using approximate national average figures in the classic final average salary formula. A teacher with 20 years of service with a final average salary of $7,200 and a 1 2/3 percentage figure would receive a yearly allowance of $2,404.80 per year as compared to $1,202.40 with ten years of service (if the right to retire requirements were met).

Although exact national figures are not available, it may be noted that in 1968 in Connecticut the average retirement age was 66.9, and the average length of service was 35.1 years.

As we reported in the last chapter, more than 50% of the states do not accept out-of-state service as credit towards the calculation of the retirement allowance, and about 44% of the states do not even recognize out-of-state service in meeting the right-to-retire requirements. If we add the limits placed upon military service to the picture, the seriousness of the problem is clear.

For example, if an individual teaches for fifteen years in North Dakota which does not have vesting and then moves to California which does not grant credit for out-of-state service, the teacher loses fifteen years of retirement credit.

In the more liberal states, ten years of out-of-state service may be purchased to make up the 25, 30 or 40 years of teaching in the public schools. In addition, the most popular requirement for vesting is ten years also, and, in general, states will not give split credit for vesting and out-of-state service.

This means that the young teacher must do all his moving during the first ten years of employment. If he moves after fifteen years, it is most possible he will lose five years of service towards his retirement, and the loss will be ten years if he moves to another state after 20 years of one-state service.

If he moves after he is 45 or 50 (depending upon the compulsory retirement age in the state), he conceivably could lose his entire allowance.

The implications here are that the teacher who stays in the same state (at least after the first ten years) deserves a good retirement allowance and that the teacher who moves, regardless of the reasons, is less deserving and is penalized. The teacher who moves after 45 or 50 years of age is even less deserving.

The inference is that, in general, state-wide retirement systems are structured for a one life-job economy.

The Extent of Teacher Mobility

Statistical information in this area is difficult to locate, and it would make an excellent subject for an extensive investigation. Critical questions to be examined would be how many teachers each year lose how much credit by moving from one state or major retirement system to another, and how much credit is lost by individuals, especially younger persons, who teach only a few years, quit, and then return to teaching years later after their families have grown?

There is, however, some scattered information, as, for example, the report of Knute Larson[84] describing a study in a Connecticut community of about 18,000 persons which indicated that approximately 10% of the school staff had lost retirement credit by moving to or from a state.

Some indication of the possible areas of teacher migration, as part of the general population, may be found indirectly by examining present and future population trends in the nation.

A publication, *Population Estimates*, in 1968 by the U.S. Bureau of the Census,[58] discusses net migration for the period between 1965–85. States with estimated large gains by migration are listed as California, Florida, Arizona and New Jersey.

States with large net out-migration are reported as Michigan, Pennsylvania, West Virginia and Kentucky. Then after 1975 it is predicted that there will be a shift towards net in-migration in Pennsylvania, Ohio and the other midwest states. There is an expected shift then towards net out-migration in New York, Nevada, Texas and several other southern states.

In general the most rapid growth is predicted along the southern rim of the United States from Florida to Louisiana, to Texas and California.

A number of states on the Atlantic seaboard from New Hampshire to Virginia are also expected to grow rapidly. Low rates of growth are estimated in the states between the Mississippi and the Rockies, except Minnesota.

Reasons for Teacher Mobility

There is a variety of reasons for teacher mobility. Some of the more important ones are:

1. A better education for children by affording them the opportunity to be exposed to different ideas and teaching methods.
2. To offer the teacher the individual right to move for self-development and improvement.
3. To afford the opportunity to move to another state or area for individual or family health reasons.
4. To act as a catalyst for the general improvement of school systems because competition gives rise to benefits to students.

Present Methods Used to Solve the Problem of Teacher Mobility

It becomes increasingly clear from our investigation that the majority of state-wide retirement systems to which teachers belong in the United States are geared either by accident or design to best serve the interest of those teachers who remain within the boundaries of a given state throughout their careers.

Although it is possible that this general type of structure met the needs of an earlier and less complicated day, current social and economic changes are making these systems more obsolete each year.

So, in one respect the basic problem of teacher mobility is how to change the structure or loosen those bonds which bind teachers in a stationary position.

Vesting and the purchase of out-of-state service are two methods which are presently being used in this regard.

As we have reported, vesting is found in all state-wide retirement systems to which teachers belong with the exception of Delaware, North Dakota and Vermont, where the teachers do not have the opportunity to receive vested rights. It should be observed, in passing, that in 1967 there were seven states without vesting rights, so there has been some improvement in this area although, in general, the existing provisions in most states leave much to be desired.

The purchase of out-of-state service is another prime method developed to assist the mobility of teachers. However, more than 50% of the states do not even recognize out-of-state service as a factor in the important calculation of the retirement allowance. In those systems which do recognize out-of-state service, the most frequent number of years which can be purchased is ten years.

Credit for military service could be considered as a secondary factor which could influence teacher mobility such as if a teacher goes to a different state after returning from service, he could lose some retirement benefits.

Chapter 15
DEATH AND SURVIVOR BENEFITS

Death and survivor benefits are of the greatest importance to teachers and their beneficiaries. This is especially true in those thirteen state-wide retirement systems which do not fall under Social Security coverage and the resulting survivor benefits.

The area of death and survivor benefits may be divided into two major divisions which include active teachers who die before qualifying for normal retirement benefits and teachers who die after they formally retire.

In general, the death and survivorship benefits are different if an individual dies before qualifying for normal retirement than if he dies after retirement. An additional consideration is that twilight zone between these two positions wherein a teacher dies in active service after meeting the qualifications for normal retirement.

For our present discussion, we shall define survivor benefits as periodic cash payments to the beneficiaries of deceased teachers, while death benefits are financial considerations at the time of death over and beyond the return to the dependents of the contributions and interest paid into the retirement system by the teacher.

Nationally there are no survivor benefits in 21 states, while there are some kind of survivor benefits offered in 29 states. In at least 20 states, there are cash payments at death over and beyond the teacher's contribution plus interest.

Another prime consideration is the service requirement necessary to qualify for survivor benefits. These requirements run the gauntlet from no requirements in Connecticut to 35 years of service in Vermont. It is of interest to note that there are also service requirements of one year for death benefits in North Carolina and Washington.

Survivor Benefits After Retirement

Across this nation state-wide retirement systems offer to retirees an after-retirement cash allotment called the retirement allowance. This allowance is the maximum payment a retirant may receive in a given system.

In effect, the maximum retirement allowance is one of the options that a person planning to retire may select, and it may be viewed as a straight single annuity allowance.

Generally, in addition, the prospective retirant has the choice of three or four other options which afford various degrees of protection to his dependents.

Following are types of options which are frequently found in state-wide retirement systems to which teachers belong:

1. Straight single annuity which affords the maximum allowance to the retirant but at death stops the full normal retirement allowance.
2. Period Certain - this option grants a guaranteed income to a beneficiary for a given period of time such as 10, 15, 20, 25 years. For example, if a guarantee period of 20 years is elected and the retirant lives for two years–the other person would receive the same monthly payments as the retirant for 18 years. On the other hand, if the retirant lives 20 years, the retirant would receive the monthly payments for life, but there would be no payments to a survivor.
3. Joint and two-thirds to the survivor - under this plan the payments are reduced to two-thirds of the amount which was paid when both parties were alive. The survivor receives the two-thirds payment for life.
4. Half benefit to second annuitant–upon the death of the retirant, the spouse receives one-half of the retirement allowance for life. It should be noted that options 2, 3, 4 are survivorship options, while option 1 only concerns the retired teacher directly. The payments under options 2, 3, 4 are actuarially reductions of option 1 or the maximum retirement allowance.

Survivor Benefits Before Retirement

An inspection of the types of survivor benefits and service requirements for benefits highlights the degree of national diversity in this sector.

We find that while Connecticut has no service requirements for survivor benefits, Louisiana, Maryland and New Mexico have fifteen-year requirements, and a teacher must have 35 years of service in Vermont. Some states such as Louisiana have options where the service requirements are 15 or 20 years depending upon the benefit.

These survivorship programs are funded in different ways whereby the most usual is that the money comes from the general retirement fund, although in some cases teacher contributions for survivor benefits go into a general fund.

The idea of a separate survivorship program with much merit is found in Connecticut and Florida where payments to a separate survivorship fund are made each payday by the teacher as a percentage of salary.

In some states the beneficiaries have the option of either cash payments at death or a survivorship program. This is the case in Colorado and Kentucky.

In addition, some states offer on a voluntary or compulsory basis group life insurance such as Colorado, New Jersey, Maine, and Virginia.

Overall, there are 21 states without any survivor benefit program while 29 states have some type of program. These include protection for a widow, dependent widower or sometimes a dependent parent. There are also often child benefits if the surviving spouse is under age 60–64. It is common that these benefits continue until the child is eighteen years old.

Eligible to Retire but Dies in Active Service

Because teachers may continue in active service, although they may have earned the right to retire, the question arises: what are the survivor benefits if such an individual dies in active service?

Usually a survivor annuity is provided by the state, but in some instances this is not the case. It may also be pointed out that in some states such as Washington a teacher does not have survivor benefits until the completion of fifteen years of service, and if he dies before that, his rights are lost.

Death Benefits

At least 20 states have some type of death benefit in addition to the return of the member's contributions plus interest or survivor benefits.

Some states, however, have the option of death benefits or survivor benefits. This is the case in Texas. Two other states, Connecticut and Florida, have survivor plus death benefits.

It is sometimes considered that death benefits consist solely of the return of the members' contribution plus interest at the time of death. As previously defined, we consider death benefits only as additional financial considerations in addition to the rightful return of the deceased member's contributions plus interest.

TABLE 25

Death and Survivor Benefits Before Retirement Eligibility

Cash Payments at Death (k)	No Survivor Benefits	Service Requirements For Survivorship Benefits		Survivor Benefits (e)	
Alabama	Alabama	Alaska	1 yr	Alaska (a)	Massachusetts (c)
Alaska (b)	Arizona	Arkansas	5 yrs	Arkansas (c)	Michigan (c)
Arizona	Hawaii	California	1 yr	California	Minnesota
Colorado (b)	Iowa	Colorado	3 yrs	Colorado (c) (i)	Mississippi
Hawaii	Kansas	Connecticut	Immediately	Delaware	Missouri (c)
Idaho	Nebraska	Delaware	15 yrs	Georgia	Montana (c)
Illinois	New Hampshire	Florida	1 day-10 yrs	Idaho (c)	Nevada (c)
Iowa	New Jersey	Georgia	15 yrs (d)	Illinois	New Mexico
Kentucky (b)	New York	Idaho	10 yrs (d)	Indiana (c)	Ohio (c)
Maryland	North Carolina	Illinois	1 1/2 yrs	Kentucky (c)	Rhode Island (a)
New Jersey (i)	North Dakota	Indiana	15 yrs	Louisiana (c)	Texas (c)
Oregon	Oklahoma	Kentucky	3 yrs	Maine (i)	Vermont
South Dakota	Oregon	Louisiana	15 or 20 yrs	Maryland	Washington
Texas (b)	Pennsylvania	Maine	1 1/2 yrs		West Virginia
Utah	South Carolina	Maryland	15 yrs (d)		
Washington (h)	South Dakota	Massachusetts	2 yrs (d)		
West Virginia	Tennessee	Michigan	15 yrs		
Wisconsin (j)	Utah	Minnesota	20 yrs (d) (f)		
	Virginia (i)	Mississippi	20 yrs (d)		
	Wisconsin (j)	Missouri	2 yrs		
	Wyoming	Montana	5 yrs		
		Nevada	2 or 15 yrs		
		New Mexico	15 yrs (g)		
		Ohio	1 1/2 yrs		
		Rhode Island	6 months		
		Texas	4 1/2 months		
		Vermont	35 yrs		
		Washington	15 yrs		
		West Virginia	25 yrs (d)		

Survivor Plus Death Benefits	
Connecticut (a)	Florida (a,e)

(a) Additional survivor payment
(b) In lieu of survivor benefits
(c) Use teachers contributions
(d) Minimum age limit
(e) Service requirement
(f) Basic system
(g) Reduced annuity
(h) One yr. service requirement
(i) Group life insurance
(j) Formula group
(k) In addition to teachers' contribution plus interest

For example, in Alabama, at the time of death of a member, there is a lump sum payment of the member's accumulated contributions plus an equal amount up to $5,000 to the named beneficiary or to the estate if the member dies in active service.

Limits upon Survivor Benefits

Apparently, in the interest of cost cutting, a variety of methods is nationally employed to limit the degree of survivor benefits.

We find that most frequently the service requirements for the right to receive survivor benefits and sometimes death benefits are most extreme, such as 35 years in Vermont, 25 years in Virginia, and 15 years in Georgia.

A number of states, such as Maryland, Idaho and West Virginia, have not only a service factor but also an age factor for pre-retirement survivor benefits. Thus, in West Virginia we find that if a member dies after having attained the age of 50, with at least 25 years of service, instead of a refund, his surviving spouse automatically is paid a lifetime allowance.

It seems that the policy in some states is that death and survivorship benefits before retirement are related to the degree of the reserve fund accumulated by the individual teacher.

In addition, other states request that a spouse be married for a certain number of years before receiving benefits. Others define death benefits as the return of the member's contribution plus interest, but sometimes the amount of interest is limited, although the teacher's money earned a higher rate of interest.

In Mississippi, at the time of death, the member's accumulated contributions plus accumulated interest at 1% are refunded to the beneficiary or to the estate of the member who dies while in active service.

Chapter 16
THE COST OF LIVING NEEDS OF THE RETIRED TEACHER

". . .It takes all the running you can do, to keep in the same place," declared the Red Queen in *Through the Looking Glass* by Lewis Carroll.

This statement well describes the plight of the retired teacher.

Inflation and the rise in living standards due to expanded national productivity have served to reduce even further the already generally inadequate after-retirement benefits of the retirant.

Since 1900 the cost of living has increased an average of about 2% a year (5.5% in 1968); our total national production of goods and services since 1922 has increased in the neighborhood of 5% annually. However, even today more than 60% of the states do not provide for planned adjustments of the frequently inadequate original retirement benefits.

The result has been that countless teachers have incomes placing them below the poverty level, and many of them are forced not only to go on the welfare rolls but also to work as domestic servants in order to survive.

Minimum Financial Needs of the Retired Teacher

A critical question in this discussion is the minimum financial need of a retired teacher or a retired couple.

It is not uncommon that the after-retirement benefits represent about a two-thirds decrease from the salary of the individual while in active service.

In answer to this question, Joe Swire, director of pensions, health and welfare for the IUE, states,[89] "Basically, our people want to maintain their pre-retirement standards of living into their retirement years. This means that they hope someday to have as much income during this last period as when they are working."

Purchasing Power and Living Standards

Greenough and King in their book, *Benefit Plans in American Colleges*,[8] state "with an annual average increase in living cost of about 2% a year over the last 15 years, the beneficiaries of most public employee and state teacher plans have experienced a substantial loss in purchasing power."

"A retired person," they conclude, "may also be by-passed by increasing living standards (measured by increases in average wages or consumer expenditures per capita in dollars of constant value) if no mechanism of adjustment is available."

Addressing himself to this expansion of the U.S. economy and increased standards of living, Leon Keyserling states[10] that in the period between 1961–1967 the total national production (G.N.P.), increased 35.5%, the private consumer spending rose 33.4%, the government's outlays for goods and services rose 41.5%, the private business investment (including net foreign) went up 35.3%.

In addition, the private investment in plant and equipment is up 63.9%, corporate profits up 45.1%, personal income has increased 72.4%, personal dividend income up 52.7%, transfer payments up 46.4%, wages and salaries have increased 36.8%, labor income up 41.9% and farm proprietors' net income has increased 2.1%.

One of the methods developed to measure the cost of living is the consumer price index of the Bureau of Labor Statistics of the U.S. Labor Department. In their publication, *The Consumer Price Index*,[61] the consumer price index (CPI) is defined as a statistical measure of changes in prices and services bought by urban wage earners and clerical workers, including families and single persons.

The index if often called the "cost of living index," but its official name is Consumer Price Index for Urban Wage Earners and Clerical Workers.

TABLE 26

After Retirement Allowance
Cost of Living Adjustments

No Provisions for Adjustments	Adjustments Related to the Consumer Price Index
Alabama	Alaska
California	Colorado
Delaware	Connecticut
Illinois	Georgia (a)
Indiana	Massachusetts (b)
Iowa	New York
Kansas	North Carolina (c)
Maryland	Utah (d)
Michigan	
Minnesota	Adjustment Related to Salary
Missouri	Increases of Active Employees
Montana	
Nebraska	Maine
New Hampshire	
New Jersey	
New Mexico	
North Dakota	
Ohio	Annual Automatic
Oklahoma	Increase in Benefits
Oregon	Arizona (e)
Pennsylvania	Arkansas
Rhode Island	Florida (f)
South Carolina	Hawaii (g)
South Dakota	Idaho (h)
Texas	Kentucky
Vermont	Louisiana
Virginia	Mississippi (e)
Washington	Nevada (g)
West Virginia	Tennessee (g)
Wisconsin	Wyoming (h)

(a) Effective July 1, 1970, a cost of living adjustment of 1 1/2% for increase in cost of living every 6 months.
(b) Adjustment after 3% increase or decrease in CPI beginning in 1970.
(c) Adjustment limit of 3% per year if CPI increase 3%, starting July 1970.
(d) Increase of 5% after 5 years retirement and 1% thereafter per year.
(e) "13th check" life annuity after retirement.
(f) Minimum benefit limit.
(g) Automatic 1 1/2% increase each year in retirement allowance.
(h) Increase in allowance depends upon availability of funds.

In an attempt to set standards for the financial needs of retirants, the U.S. Department of Labor's Bureau of Labor Statistics has recently published a number of studies which include, *City Worker's Family Budget for a Moderate Living Standard, Three Standards of Urban Living for a Retired Couple*, and *A Retired Couple's Budget for a Moderate Living Standard.*

In the last study noted above,[64] a moderate standard of living for a self-supporting retiree couple residing in the Hartford, Connecticut metropolitan area, in the fall of 1966, required an annual expenditure of $4,352, and since 1966 the cost of living has increased about 13% making the new total, as of June 1969, $4,917.76.

Questioning the validity of the Bureau of Statistics "modest but adequate budget for retired couples," Bert Seidman, director of the AFL-CIO Department of Social Security, observes, "yet this budget is a bleak one. It allows only about a half-pound of meat and less than two eggs a day (for two people); the man can replace his topcoat every ninth year and allows for a movie once every four weeks."[47]

He also referred to the rock bottom standard of poverty of the Department of Agriculture's "economy food budget" based on minimum nutritional needs and minimum cost. It is actually 20 to 25% lower than the Department's low-cost plan, traditionally used by welfare agencies for determining food allotments for needy families. For example, the budget allows about $1,850 for a non-farm couple, which differs little from the average Social Security benefit for a couple.

TABLE 27

Experience of $50 a Month Paid to CREF

If a college professor paid $50 a month to the College Retirement and Equities since July 1, 1952, he had paid $9,000 through June 30, 1967 into the fund. These payments plus his share of CREF's investment income brought CREF accumulation units worth $21,799.38 by July 1, 1967. The average annual rate of return on the amount he paid was 10.96%. The following table is a detailed account of CREF experience.

Beginning Year July 1st	Amount Paid to June 30, 1967	Value of Accumulation June 30, 1967	Average Annual Rate of Return on Amount Paid In
1952	$9,000	$21,779.38	10.96%
1953	8,400	18,303.51	10.44
1954	7,800	15,181.78	9.71
1955	7,200	12,966.66	9.36
1956	6,600	11,244.82	9.31
1957	6,000	9,671.77	9.23
1958	5,400	8,095.55	8.76
1959	4,800	6,878.42	8.80
1960	4,200	5,794.33	9.04
1961	3,600	4,799.78	9.48
1962	3,000	3,877.50	10.20
1963	2,400	2,969.48	8.89
1964	1,800	2,032.71	8.05
1965	1,200	1,300.64	7.94
1966	600	645.47	14.28

CREF Annuity Unit Value Since 1952

When the professor and his university send payments to CREF, he is credited with a certain number of accumulation units. The number of units depends upon the current value of accumulation units. The value of the accumulation unit is determined each month by dividing the current market value of all CREF's securities by the total number of accumulation units.

Annuity Year (May through April)	Annuity Unit Value	Annuity Year (May through April)	Annuity Unit Value
Initial Value	$10.00	1961-62	$26.25
1953-54	9.46	1962-63	26.13
1955-55	10.74	1963-64	22.68
1955-56	14.11	1964-65	22.48
1956-57	18.51	1965-66	28.21
1957-58	16.88	1966-67	30.43
1958-59	16.71	1967-68	31.92
1959-60	22.03		
1960-61	22.18		

Source: *CREF—Its First Fifteen Years, TIAA 1967*

In a recent publication of the Department of Labor Statistics, *Three Standards of Living for an Urban Family of Four Persons*, by Jean C. Brackett, it was stated that the total average cost in an urban area of the United States in the spring of 1967 came to $5,915 for the lowest of the three budgets, $9,076 for the moderate budget and $13,050 for the higher budget.

The base for the consumer price index is the average of the years between 1957–59, which is given a value of 100%, and is the standard to which new monthly values are compared.

The effect of inflation is presented most dramatically in a September 28, 1969 article in *The New York Times*. It is reported that after adjustments for real income, the average worker in August 1969 had a real income of only one dollar more as compared with the 1957–59 period.

It is noted that the main reasons for this is inflation—the fourth in the years since World War II, which have been interspersed with periods of price stability. The present inflation is said to have begun in late 1965, and is still going on. Three of the four inflationary periods (1945–47), (1950–53), and (1955–57) were associated with war.

Methods of Maintaining Purchasing Power and Living Standards

An important point here is the relationship between the type of retirement plan of the state and inflation.

The pure money purchase plan and the service annuity plan were designed for an earlier time and did not consider the influence of inflation.

TABLE 28

Ten Year Report of the Wisconsin Teachers' Variable Annuity Plan

The Variable Net Gain or Loss

Year Ending June 30	Fixed Division	Variable Division: Net Gain or Loss	Variable Division: Interest Earnings & Dividend Income	Variable Division: Capital Gain or Loss
1959	4.5%	15.10%	3.05%	12.05%
1960	6.05	8.95	2.90	6.05
1961	5.35	20.40	3.10	17.30
1962	5.60	-20.50	2.80	-23.30
1963	4.60	28.85	3.15	25.70
1964	7.75	13.40	3.15	10.25
1965	5.80	9.20	3.00	6.20
1966	5.30	4.05	3.35	.70
1967	5.55	14.40	3.45	10.95
1968	5.55	9.80	3.15	6.65

Deposit $100 Per Year

Value of Accumulation On June 30	First Fiscal Year of Deposit: 1958–59 Fixed	1958–59 Variable	1960–61 Fixed	1960–61 Variable	1962–63 Fixed	1962–63 Variable
1959	$100.00	$100.00	$.....	$.....	$.....	$.....
1960	206.05	208.95	.....	.....	.....	.....
1961	317.07	351.58	100.00	100.00	.....	.....
1962	434.83	379.51	205.60	179.50	.....	.....
1963	554.83	589.00	315.06	331.29	100.00	100.00
1964	697.83	767.93	439.48	475.68	207.75	213.40
1965	838.30	938.58	564.97	619.44	319.80	333.03
1966	982.73	1,076.59	694.91	744.53	436.75	446.52
1967	1,137.27	1,331.62	833.48	951.74	560.99	610.82
1968	1,300.39	1,562.12	979.74	1,145.01	692.12	770.68

Changes in the Amount of an Annuity

Annuity Year	Fixed	Variable: Annual Change	Variable	Total
1958–59	$100.00		$100.00	$200.00
1959–60	100.00	7.25%	107.25	207.25
1960–61	100.00	3.40	110.90	210.90
1961–62	100.00	13.00	125.32	225.32
1962–63	100.00	-22.90	96.62	196.62
1963–64	100.00	19.25	115.22	215.22
1964–65	100.00	8.15	124.61	224.61
1965–66	100.00	4.45	130.16	230.16
1966–67	100.00	None	130.16	230.16
1967–68	100.00	8.10	140.70	240.70
1968–69	100.00	4.60	147.17	247.17

The final average salary plan represents an early attempt to meet this problem by considering at least a relatively recent salary factor. However, few final average salary plans have any built-in protection that occurs after the person retired.

It should also be stressed that the money purchase plan had advantages over the final average salary plan, when teacher mobility was considered. Possibly some combination of a final average salary–money purchase plan with variable annuity provisions should be considered.

As we have previously stated, more than 60% of the states do not have any systematic method of providing for after-retirement adjustments, and sporadic increases are made at the whim of the various legislatures.

Planned methods used by teacher-member retirement systems to meet the problem of after-retirement inflation and the growth of the standard of living include:

1. Automatic cost of living adjustments tied to the consumer price index.
2. Variable annuities.
3. Automatic percentage increases of retirement allowances.
4. Adjustments related to the wages of active teachers.

1. Automatic Cost of Living Adjustments Linked to the Consumer Price Index

A background note is that both the Federal Civil Service System and the Military Retirement System include provisions to adjust benefits automatically in accordance with the cost of living.

In addition, President Richard Nixon, on September 25, 1969 recommended that Social Security benefits also be tied to the cost of living increases.

Concerning teacher retirement, there are at least eight states which have or will have automatic increases in the retirement allowances tied to the consumer price index. We find in Alaska that the yearly increase will not exceed 1 1/2% although in 1968 the cost of living rose 5.5% while in North Carolina the cost of living adjustment is limited to 3% yearly effective July 1, 1970.

In Utah, the retirement allowance is increased 5% after five years of retirement and the increase is 1% yearly thereafter.

Generally, those states which have income adjustments after retirement related to the cost of living usually also set a low maximum limit on the degree of adjustment.

2. The Variable Annuity Method of Combating Inflation

One of the most effective methods yet invented to meet the after-retirement financial needs of teachers is the variable annuity. It is a method which protects the purchasing power of the retired teacher but also enables the retirant to participate in the expansion of the nation's economy and advances in the general standard of living.

The variable annuity is based upon the annuity principle. Explaining the annuity principle in *The Chartered Life Underwriter*, Glenn L. Wood states, "Technically an annuity is simply a periodic payment, and a life annuity is a series of payments that are made throughout a designated person's lifetime."

"At retirement," he continues, "three methods may be used by the individual to convert a principal sum into a series of income payments. These include:

a. To receive periodic interest, dividends or both from the principal sum he has invested without liquidating the principle.
b. Liquidate the principal over the years but the retirant may outlive the income.
c. A life annuity by which a large group of individuals can pool investments and, using mortality tables, liquidate the invested fund over their lifetime thus being assured of an income for as long as they live.

"Funds are released," Wood concludes, "by those who die soon after retirement to provide continued income for those who live longer than expected. Benefit payments from life annuities are composed of principal and interest. This scientific liquidation of principal is known as the annuity principle."

Three types of annuities are listed in a pamphlet of the Variable Annuity Life Insurance Company of America, and include:

a. Fixed annuity
b. Variable annuity
c. A combination of fixed and variable annuity

An annuity is a contractual agreement between the teacher and the annuity company. In return for the payments during the working years of the individual, the company promises to make monthly payments after retirement for life.

A fixed annuity is a contract which guarantees when it is issued that at the time of retirement a specific number of dollars will be paid the annuitant as long as he lives.

A variable annuity is also an annuity guaranteed for life. However, the amount of the retirement benefit is determined periodically by the investment results during the pre-retirement and retirement periods of a portfolio of carefully selected and widely diversified equity investments (common stocks).

There is no assurance, however, that the stock prices in this portfolio will move always upward, and there is a degree of risk involved. Manuel F. Cohen, S.E.C. Chairman, makes this point in *The Commercial and Financial Chronicle.*

However, as it is noted in a publication of the Retirement Board of the New York Teachers' Retirement System, "on the other hand, there may be a risk in not participating (variable annuity program)–the risk that the cost of living will continue to rise and severely reduce the purchasing power of a retirement income made up entirely of fixed dollar payments."

In general, the value of stock investments have, over the long term, gone up faster than the cost of living alone. Over the 35-year period, 1926–1960, the average rate of return on common stocks listed on the New York Stock Exchange was 9% a year (assuming dividends were reinvested). Over the same period the Consumer Price Index advanced an average of 2% a year.

A. Teachers' Insurance and Annuity Association

It is generally accepted that the real impetus and pioneer work in the variable annuity field in this country was spearheaded by the Teachers' Insurance and Annuity Association.

TIAA was founded in 1918 to serve the retirement needs of college teachers.

However, by 1952 it was found that while traditional retirement plans were well on their way to producing a satisfactory level of income at the point of retirement, no pension planning had yet produced a means of giving the retired person protection against price inflation and a share in the rising standard of living.

In order to solve this problem, after extensive study, TIAA found that the most effective program was to invest part of the retirement savings in fixed dollars and part in common stocks.

TIAA then formed a new organization called the College Retirement Equities Fund which issued the first variable annuity in 1952. Until the beginning of 1967, every contribution to a CREF variable annuity had to be accompanied by a contribution of at least as much to a TIAA fixed dollar annuity.

However, because of the success of the variable annuity program, college teachers may now allocate current contributions between their fixed and variable annuities in any proportion from 25% to 75% of the total being paid.

It was also felt that these changes could be made because of increased Social Security, medicare, major medical insurance and increased contributions to retirement plans.

William C. Greenough, TIAA-CREF chairman, underlined the success of the program in an article in *The National Underwriter.*[33]

"An educator who has paid $50 a month to CREF since July 1, 1952," Greenough stated, "has paid a total of $9,000 through the end of August, 1967. These payments plus his share of CREF investment income have brought CREF accumulation units for him that were worth $22,661 in November, 1967."

"How about retirement benefits?" he concluded. "A professor who retired in 1952 and purchased a single premium fixed-dollar TIAA annuity with half his money and a CREF annuity with the other half would now be receiving 2 1/4 times as large a total annuity income as he started with in 1952. In comparison, consumer prices are now only 1/4 higher than they were in 1952. Consumption expenditures per capita in the United States, reflecting both price changes and increasing living standards, have grown about 70%."

TABLE 29

Consumer Price Index–U.S.: All Items, 1913 Forward–Series A

(1957-59 = 100)[1]

Date	1942	1943	1944	1945	1946	1947	1948	1949	1950
January	54.6	58.8	60.6	62.0	63.4	74.9	82.6	83.7	82.0
February	55.0	59.0	60.5	61.9	63.2	74.8	81.9	82.8	81.8
March	55.7	59.9	60.5	61.9	63.6	76.4	81.7	83.0	82.1
April	56.1	60.6	60.8	62.0	64.0	76.4	82.8	83.2	82.2
May	56.6	61.0	61.0	62.5	64.3	76.2	83.4	83.0	82.6
June	56.7	60.9	61.2	63.0	65.0	76.8	84.0	83.1	83.0
July	57.0	60.5	61.5	63.2	68.9	77.4	85.0	82.6	83.9
August	57.3	60.2	61.7	63.2	70.4	78.3	85.4	82.8	84.5
September	57.5	60.5	61.8	62.9	71.2	80.1	85.4	83.2	85.1
October	58.0	60.7	61.8	62.9	72.6	80.1	85.0	82.7	85.6
November	58.4	60.6	61.8	63.2	74.3	80.6	84.4	82.8	86.0
December	58.8	60.7	62.0	63.4	74.9	81.7	83.9	82.3	87.1
AVERAGE	56.8	60.3	61.3	62.7	68.0	77.8	83.8	83.0	83.8

Date	1951	1952	1953	1954	1955	1956	1957	1958	1959
January	88.5	92.2	92.8	93.9	93.2	93.4	96.3	99.7	100.9
February	89.6	91.6	92.4	93.7	93.2	93.4	96.7	99.8	100.8
March	89.9	91.6	92.6	93.6	93.2	93.5	96.9	100.5	100.8
April	90.0	92.0	92.7	93.4	93.1	93.6	97.2	100.7	101.0
May	90.4	92.1	92.9	93.7	93.1	94.1	97.5	100.7	101.1
June	90.3	92.4	93.3	93.8	93.2	94.7	98.0	100.8	101.5
July	90.4	93.0	93.5	93.9	93.5	95.4	98.5	101.0	101.8
August	90.4	93.2	93.7	93.7	93.3	95.2	98.6	100.8	101.7
September	91.0	93.0	93.9	93.5	93.6	95.4	98.7	100.8	102.0
October	91.4	93.1	94.1	93.3	93.6	95.9	98.7	100.8	102.3
November	91.9	93.2	93.7	93.4	93.7	96.0	99.1	101.0	102.4
December	92.2	93.0	93.6	93.2	93.5	96.2	99.1	100.8	102.3
AVERAGE	90.5	92.5	93.2	93.6	93.3	94.7	98.0	100.7	101.5

Date	1960	1961	1962	1963	1964	1965	1966	1967	1968
January	102.2	103.8	104.5	106.0	107.7	108.9	111.0	114.7	118.6
February	102.4	103.9	104.8	106.1	107.6	108.9	111.6	114.8	119.0
March	102.4	103.9	105.0	106.2	107.7	109.0	112.0	115.0	119.5
April	102.9	103.8	105.2	106.2	107.8	109.3	112.5	115.3	119.9
May	102.9	104.0	105.2	106.2	107.8	109.6	112.6	115.6	120.3
June	103.1	104.4	105.3	106.6	108.0	110.1	112.9	116.0	120.9
July	103.2	104.3	105.5	107.1	108.3	110.2	113.3	116.5	121.5
August	103.2	104.6	105.5	107.1	108.2	110.0	113.8	116.9	121.9
September	103.3	104.6	106.1	107.1	108.4	110.2	114.1	117.1	122.2
October	103.7	104.6	106.0	107.2	108.5	110.4	114.5	117.5	122.9
November	103.8	104.6	106.0	107.4	108.7	110.6	114.6	117.8	123.4
December	103.9	104.6	105.8	107.6	108.8	111.0	114.7	118.2	123.7
AVERAGE	103.1	104.2	105.4	106.7	101.1	109.9	113.1	116.3	121.2

[1] As of January 1962, the CPI, formerly calculated on the reference base 1947–49 = 100, has been converted to the new base, 1957–59 = 100 in compliance with recommendations of the U.S. Bureau of the Budget, Office of Statistical Standards.

B. Variable Annuities and Teacher Retirement

Herbert F. Mischke reported in *The National Underwriter* that an amendment to the Internal Revenue Code in 1961 extended benefits to public school employees enabling them to participate more extensively in variable annuity plans. This followed passage of the Mills Bill or the Technical Amendments Act in 1958.

The concept of the variable annuity has not spread widely in either the public or private pension fields. Writing in *The Insurance Law Journal*, William A. Kern declares, "the reasons for the slow acceptance of variable annuities are not difficult to determine. Variable annuities, from their inception in 1952, have been plagued by regulatory problems."

Referring to the private pension field, Edwin T. Johnson said in *Pension and Welfare News*, "a study in 1967 indicated that only 4% of existing trusteed pension plans include a variable annuity option during the liquidation period."

In the area of teacher retirement, the acceptance of the variable annuity idea has also been slow.

Regular employee-employer contributions to a public plan may now be made to a public variable annuity fund investing in common stock in Minnesota, New York City, Oregon and Wisconsin. In New Jersey, members of the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund may make voluntary additional contributions to the Supplemental Annuity Collective Trust, established by the state in 1963.

The Wisconsin State Teacher Retirement System was the pioneer which established the program in 1958. It provides that each participant may elect that half of his employee contributions be credited to his account in the system's variable annuity fund. The balance goes to the fixed-dollar fund.

The Ten-Year Report of the Variable Annuity Plan of Wisconsin notes that after ten years as of June 30, 1968 there are about 19,000 members representing about 38% of the total membership of the system. The net gain to be credited to June 30, 1967 balances in the variable annuity division is 9.8%.

The interest rate in the fixed division, credited to June 30, 1967 balances of separate group members and the fixed portion of combined group members, is 5.5%. The variable portion will show by June 30, 1969 an average monthly payment for the 11 years of $120.74 compared to $100.00 per month for the fixed portion.

New York City teachers adopted a variable annuity plan in 1967 which became effective in 1968. David Wittes, United Federation of Teachers Treasurer and member of the Teacher's Retirement Board, explained the program in the February 3, 1967 issue of *The United Teacher*.

New York City teachers may allocate half or all of their designated contributions to the variable annuity. Employer contributions are excluded from the allocation. Unlike the Wisconsin plan, which is managed entirely by public authorities, the New York City Plan is administered under contract by a life insurance company and a bank trustee.

The variable annuity plan became effective in 1968 for members of the public employees retirement system. An employee may elect that one-fourth to one-half of his own contributions may go into the variable annuity fund.

A variable annuity plan has also been adopted by Minnesota effective July 1, 1969 and provides:

a. Teachers who taught during the 1968–69 school year, as well as those teachers who taught prior to that time and have credit for 20 years of allowable service, have the option to participate in the variable annuity plan.
b. Teachers in the coordinated system, in lieu of the above selections, may choose to have their entire future contributions placed in the variable annuity plan.

Teachers in the basic system may also participate in the variable plan by electing that three-sevenths of their contributions be invested in this fund.

c. New teachers entering the service on or after July 1, 1969 may either place three-sevenths or all of their contributions into the variable annuity fund.

3. Automatic Percentage Increases of Retirement Allowance

A few states have provisions for the automatic increase of the retirement allowance. The increase is usually 1 1/2% and is not related to the change in the consumer price index.

Thus in Hawaii each year retirants receive a 1 1/2% increase as in the case of Nevada. Effective July 1, 1969 members of the Tennessee Teachers' Retirement System will also receive an automatic increase of 1 1/2% per year after age 65 and not to exceed 30% of the initial retirement allowance.

4. After Retirement Adjustments Related to the Wages of Active Teachers

Maine is the sole example in the nation of this method. In Maine the cost-of-living increases are granted at the same percentage as received by active employees in general salary adjustments. As of January 1, 1970, the allowances of the retired teachers will be recomputed with a 3% final average salary instead of 5 years.

Professor David I. Pinsky,[43] of the Labor Education Center at the University of Connecticut, recommends this method of adjustment. In recent years the increases in the salaries of public school teachers have been above the rise in the consumer price index.

PART III

Summation and Evaluation

Following are some of the major findings of this investigation into the structure and function of state-wide retirement systems to which teachers belong:

1. State-wide retirement systems for teachers may be rated according to their effectiveness by means of the Golden Retirement Rating Scale.
2. The discovery of the Principle of Proximity.
3. Supplemental Social Security is in the best interest of teachers.
4. Teachers have little influence over the investment of their own contributions to retirement systems.
5. Few public school teachers have the opportunity to participate in a variable annuity program.
6. Timid retirement fund investment of new money produces low income returns.
7. Retirement allowance payments are frequently below the poverty level.
8. Adjustments of the original retirement allowance to combat inflation are usually inadequate.
9. Restrictions imposed by the states upon the operation of retirement systems often limit the rights of the individual teacher.
10. Teachers are usually penalized if they move to a different state.
11. The merger of teacher retirement systems with public employee systems usually does not serve the best interest of teachers.
12. Final average salary plans are most advantageous for teachers.
13. Disability and before-retirement survivorship benefits generally do not meet the needs of teachers and their dependents.
14. Information for members published by the state offices of retirement boards is generally complex, dull and confusing.

Grading State-wide Retirement Systems by Means of the Golden Retirement Rating Scale

It became increasingly evident as this study continued that in order to achieve any real understanding of state-wide retirement systems, it would be necessary to have some kind of yardstick for comparison purposes.

Trying to gain an insight into the operations of 50 widely diverse and intricately complex systems, without general guidelines, is at best a confusing and almost insurmountable chore.

Some may argue that there are inherent dangers in setting standards, and this is probably so. However, there are also dangers in not establishing them. Many of those who oppose the competitive inference of rating state systems are also those who philosophically hold that competition in their own sphere is most important.

It was against this background that the Golden Retirement Rating Scale was created after extensive discussion and consideration.

The Golden Retirement Rating Scale was not developed with the idea that it was the only approach or even the most effective approach to the problem. Suggestions for improvement would be most welcome. It is, however, a sincere pioneer attempt to meet a definite problem and need in the field of teacher retirement.

Golden Retirement Rating Scale results were that only two states received an A rating while seven states had F ratings. The majority of these seven states were in the plains area. The rest of the states were almost equally distributed between the B-C-D categories.

Structure of the Golden Retirement Rating Scale

The Golden Retirement Rating Scale consists of ten factors which are important elements of a teacher retirement system. In order to introduce a qualitative element into the analysis, the first four factors (A-D) were weighted two-thirds more than the last three factors (H-I-J) and the factors (E-F-G) were weighted one-third more than the last three factors (H-I-J).

The general formula and the list of component factors are as follows:

State	A	B	C	D	Total ABCD X 1.67	E	F	G	Total EFG X 1.33	H	I	J	Total HIJ X 1.00	Grand State Total

A. Retirement allowance plus Social Security payments.
B. Social Security status of the state.
C. Teacher member on retirement board.
D. Investment of retirement system funds in common stocks.
E. Extent of vesting.
F. Creditable years of out-of-state service.
G. Existence of cost of living adjustment mechanism.
H. Final average salary plan.
I. Service requirements for disability retirement.
J. Service requirements for survivorship benefits if teacher dies before becoming eligible for retirement.

Procedure

Each of the ten factors was given either a 1-2-or 3 rating. The number 2 was used if the factor was the national or proposed national average, while the number 3 was used to indicate above the average and 1 indicated below the average.

In order to introduce the qualitative element as has been noted, the first four factors, A-B-C-D were added together and multiplied by 1.67; the next three factors E-F-G were added together and multiplied by 1.33; and the last three factors H-I-J were added together and multiplied by 1.00. The three totals were then added together, which produced the grand state total.

The difference was then found between the highest and lowest grand state totals, and the result was divided by five. The rating of A was then assigned to the upper range, and the rating of F to the lowest with the other ratings of B-C-D between.

Following are how the values were determined for each factor:

A. Retirement allowance plus Social Security payments

In Table 33 at the end of this chapter this factor was rated ABCDF. The C rating state was assigned a number 2 value while A-B states received a 3 and D-F rated states 1.

B. Social Security status of the state

Coordinated Social Security-2; supplemental Social Security-3; no Social Security-1.

C. Teacher member on retirement board

Teacher-2; classroom teacher-3; no designated teacher-1.

D. Investment of retirement system funds in common stocks

States with the authority to invest 30% or more in common stock-3; below 30%-2; and no common stock investments-1.

E. Extent of vesting

Vesting at 10 years-2; vesting less than 10 years-3; vesting more than 10 years-1.

TABLE 30

Golden Retirement Rating Scale

State	A	B	C	D	Total ABCD x 1.67	E	F	G	Total EFG x 1.33	H	I	J	Total HIJ x 1.00	Grand State Total
Alabama	3	3	3	2	18.37	2	1	1	5.32	3	2	1	6.00	29.69
Alaska	1	1	1	3	10.02	2	2	3	9.31	3	3	3	9.00	28.33
Arizona	2	[illegible]	2	2	15.03	3	1	2	7.98	1	3	1	5.00	28.01
Arkansas	[illegible]		3	1	13.36	1	2	2	6.65	2	2	2	6.00	26.01
California	3	1	3	1	13.36	3	1	1	6	3	3	3	9.00	29.01
Colorado	2	1	2	3	13.36	3	1	3	9	3	1	2	6.00	28.67
Connecticut	2	1	2	1	10.02	2	2	3	9.[illegible]1	3	2	3	8.00	27.33
Delaware	3	3	1	1	13.36	1	1	1	3.99	3	1	2	6.00	23.35
Florida	2	1	2	2	11.69	2	2	2	7.98	3	2	3	8.00	27.67
Georgia	3	3	3	3	20.04	1	2	3	7.98	3	1	2	6.00	34.04
Hawaii	3	3	2	2	16.70	3	1	2	7.98	3	2	1	6.00	30.68
Idaho	1	3	1	3	13.36	2	1	2	6.65	1	2	2	5.00	25.01
Illinois	2	1	2	2	11.69	2	2	1	6.65	3	2	3	8.00	26.34
Indiana	2	2	2	2	13.36	1	1	1	3.99	2	3	2	7.00	24.35
Iowa	1	3	1	2	11.69	3	1	1	6.65	1	1	1	3.00	21.34
Kansas	1	3	1	2	11.69	2	1	1	5.32	1	1	1	3.00	20.01
Kentucky	2	1	3	2	13.36	2	3	2	9.31	3	2	2	7.00	29.67
Louisiana	2	1	3	2	13.36	1	1	2	5.32	3	3	2	8.00	26.68
Maine	1	1	2	2	10.02	2	2	3	9.31	3	2	3	8.00	27.33
Maryland	3	3	2	2	16.70	1	1	1	3.99	2	3	2	7.00	27.69
Massachusetts	3	1	2	1	11.69	2	2	3	9.31	3	1	3	7.00	28.00
Michigan	2	2	2	2	13.36	2	3	1	7.98	3	2	2	7.00	28.34
Minnesota	1	2	2	3	13.36	2	1	1	5.32	1	2	2	5.00	23.68
Mississippi	2	2	3	1	13.36	1	1	2	5.32	3	2	2	7.00	25.68
Missouri	2	1	1	2	10.02	1	2	1	5.32	2	3	2	7.00	22.34
Montana	2	3	2	1	13.36	3	1	1	6.65	2	2	2	6.00	26.01
Nebraska	1	3	1	1	10.02	3	2	1	7.98	3	1	1	5.00	23.00
Nevada	3	1	1	3	13.36	1	1	2	5.32	3	2	2	7.00	25.68
New Hampshire	2	2	2	3	15.03	1	1	1	3.99	2	2	1	5.00	24.02
New Jersey	3	3	2	2	16.70	1	2	1	5.32	3	2	1	6.00	28.02
New Mexico	3	3	1	3	16.70	1	1	1	3.99	3	2	2	7.00	27.69
New York	3	3	2	3	18.37	2	2	3	9.31	2	1	1	4.00	31.68
North Carolina	3	2	2	2	15.03	1	1	3	6.65	3	2	1	6.00	27.68
North Dakota	1	3	1	2	11.69	1	1	1	3.99	1	1	1	3.00	18.68
Ohio	2	1	2	2	11.69	3	1	1	6.65	3	3	3	9.00	27.34
Oklahoma	1	3	2	2	13.36	1	1	1	3.99	1	2	1	4.00	21.35
Oregon	2	2	1	1	10.02	3	1	1	6.65	1	2	1	4.00	20.67
Pennsylvania	3	3	1	1	13.36	2	3	1	7.98	3	2	1	6.00	27.34
Rhode Island	2	1	2	2	11.69	2	2	1	6.65	3	3	3	9.00	27.34
South Carolina	2	2	1	1	10.02	1	3	1	6.65	3	2	1	6.00	22.67
South Dakota	1	3	1	2	11.69	1	1	1	3.99	3	2	1	6.00	21.68
Tennessee	2	2	2	2	13.36	2	1	2	6.65	3	2	1	6.00	26.11
Texas	1	3	2	2	13.36	2	2	1	6.65	3	3	3	9.00	29.01
Utah	2	3	1	3	15.03	3	1	3	9.31	3	2	1	6.00	30.34
Vermont	2	3	1	3	15.03	1	1	1	3.99	3	1	1	5.00	24.02
Virginia	3	2	2	2	15.03	2	1	1	5.32	3	2	1	6.00	26.35
Washington	2	3	3	2	16.70	3	1	1	6.65	2	1	2	5.00	28.35
West Virginia	1	3	2	1	11.69	1	3	1	6.65	3	2	2	7.00	25.34
Wisconsin	2	2	2	3	15.03	3	1	1	6.65	3	3	1	7.00	28.68
Wyoming	1	3	1	1	10.02	3	1	2	7.98	1	1	1	3.00	21.00

F. Creditable years of out-of-state service

10 years-2; less than 10 years-1; more than 10 years-3.

G. Existence of cost of living adjustment mechanism

Automatic percentage increase-2; cost of living increase related to CPI-3; no provisions-1.

H. Final average salary plan

Money purchase plus final average salary plan-2; final average salary plan-3; all other plans-1.

I. Service requirements for disability retirement

10 years of service-2; less than 10 years-3; more than 10 years-1.

J. Service requirements for survivorship benefits if a teacher dies before becoming eligible for retirement

Benefits with more than 2 years of service-2; benefits with 2 or less years of service-3; no benefits-1.

Rating of State-wide Systems on Basis of Total Retirement Allowance plus Social Security

It is most important to know the total retirement benefits received by the retired teacher, which usually include the benefits from the state retirement system, in addition to possible Social Security benefits in 37 states.

The total retirement allowance was calculated for a male teacher who retired at the age of 65 on July 1, 1968 with a final average salary of $7,200 (about the national average). He had made contributions of $5,000 plus interest to the state system.

The Social Security benefits were figured for an individual who had 12 years of credit on July 1, 1968 and had always paid the maximum Social Security payments. If all the teachers in a state have Social Security, the full amount of $1,905 was added to the retirement allowance. If only 80% of the teachers of the state were covered by Social Security, the $1,905 figure was multiplied by 80%, and the resulting figure of $1,524 was added to the retirement allowance.

If the system did not have Social Security, zero was placed in the Social Security column.

The total income for the average retirant in each state was then determined by adding the retirement allowance and Social Security benefits. The highest total income figure was then subtracted from the lowest total income figure, and the resulting number was divided by 5.

The A rating was assigned to the upper range, F rating was to the lowest rating with B-C-D ratings following the A rating division.

The range was from $5,512 in New Jersey to $2,604 in Minnesota.

The states were relatively evenly distributed among the five categories.

TABLE 31

Grading State-wide Systems by Means of the Golden Retirement Rating Scale

A Rating (34.04–30.97)

Georgia
New York

B Rating (30.96–27.90)

Alabama
Alaska
Arizona
California
Colorado
Hawaii
Kentucky
Massachusetts
Michigan
New Jersey
Texas
Utah
Washington
Wisconsin

C Rating (27.89–24.73)

Arkansas
Connecticut
Louisiana
Maine
Maryland
New Mexico
North Carolina
Ohio
Pennsylvania
Rhode Island
Tennessee
Virginia
West Virginia

D Rating (27.72–21.76)

Delaware
Florida
Idaho
Illinois
Indiana
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
South Carolina
Vermont

F Rating (21.75–18.69)

Iowa
Kansas
North Dakota
Oklahoma
Oregon
South Dakota
Wyoming

TABLE 32

Total Retirement Allowance
Plus Social Security Income (a)

State	Retirement Allowance (1)	Social Security (2)	Total Income (1 plus 2)	State	Retirement Allowance (1)	Social Security (2)	Total Income (1 plus 2)
Alabama	$2,700	$1,905	$4,605	Montana	$2,451	$1,524	$3,975
Alaska	3,240	0	3,240	Nebraska	1,001	1,905	2,906
Arizona	2,450	1,905	4,355	Nevada	4,680	0	4,680
Arkansas	2,195	1,905	4,100	New Hampshire	2,546	1,905	4,451
California	4,938	0	4,938	New Jersey	3,607	1,905	5,512
Colorado	3,600	0	3,600	New Mexico	3,150	1,905	5,055
Connecticut	4,320	0	4,320	New York	3,118	1,905	5,023
Delaware	3,600	1,905	5,505	North Carolina	2,820	1,905	4,725
Florida	4,320	0	4,320	North Dakota	1,500	1,334	2,834
Georgia	3,780	1,334	5,114	Ohio	4,104	0	4,104
Hawaii	4,320	1,905	5,225	Oklahoma	1,800	1,715	3,515
Idaho	2,880	1,905	4,785	Oregon	1,915	1,905	3,820
Illinois	3,607	0	3,607	Pennsylvania	3,607	1,715	5,322
Indiana	2,307	1,905	4,212	Rhode Island	3,607	762	4,369
Iowa	1,230	1,905	3,135	South Carolina	2,520	1,905	4,425
Kansas	1,560	1,905	3,465	South Dakota	758	1,905	2,663
Kentucky	4,008	0	4,008	Tennessee	2,295	1,524	3,819
Louisiana	4,320	0	4,320	Texas	3,240	191	3,431
Maine	3,086	0	3,086	Utah	2,160	1,905	4,060
Maryland	3,085	1,905	4,990	Vermont	3,024	1,334	4,358
Massachusetts	5,400	0	5,400	Virginia	2,970	1,905	4,875
Michigan	2,610	1,905	4,515	Washington	2,296	1,905	4,201
Minnesota	1,080	1,524	2,604	West Virginia	2,160	1,905	3,065
Mississippi	2,700	1,905	4,405	Wisconsin	1,928	1,715	3,643
Missouri	4,477	0	4,477	Wyoming	1,104	1,905	3,009

(a) The above figures are for a male teacher who retired at age 65 on July 1, 1968 with a final average salary of $7,200 after 30 years service in one state with contributions of $5,000 plus interest

TABLE 33

Rating of State-wide Systems
on Basis of Total Retirement
Allowance Plus Social Security

A Rating ($5,512–$4,933 total)

California
Delaware
Georgia
Hawaii
Maryland
Massachusetts
New Jersey
New Mexico
New York
Pennsylvania

B Rating ($4,932–$4,351 total)

Alabama
Arizona
Idaho
Michigan
Mississippi
Missouri
Nevada
New Hampshire
North Carolina
Rhode Island
South Carolina
Virginia
Vermont

C Rating ($4,350–$3,767 total)

Arkansas
Connecticut
Florida
Indiana
Kentucky
Louisiana
Montana
Ohio
Oregon
Tennessee
Utah
Washington

D Rating ($3,768–$3,187 total)

Alaska
Colorado
Illinois
Kansas
Oklahoma
Texas
Wisconsin

F Rating ($3,186–$2,604 total)

Iowa
Maine
Minnesota
Nebraska
North Dakota
South Dakota
West Virginia
Wyoming

Chapter 17
THE PRINCIPLE OF PROXIMITY

As the information for this study was collected and analyzed, it was found that frequently the retirement systems in a given geographical area of the nation had similar structural or functional patterns.

These observations led the author to propose a summation statement of these relationships called *The Principle of Proximity* which holds:

State-wide Retirement Systems in a Given Geographic Area Tend to Have Similar Characteristics. A Large City Teacher Retirement System May Modify the Structure or Function of the State-wide System.

In order to appreciate fully these relationships it is helpful to consult a map of the United States. Many of the states with similar retirement system characteristics have common borders.

Often, however, a billiard-ball-like mechanism is in operation. For example, in recent years, of the five states which have changed from a money purchase type of retirement plan to a final average plan, four are in the south. Alabama borders on Georgia and Georgia borders on South Carolina, while both Alabama and Georgia have common borders with Tennessee.

Thus, state systems with similar characteristics are not only in the same area, but they generally have common borders.

Following are only a few of the many examples in support of the Principle of Proximity:

1. States with final average salary plans using two or more final average formulae form a belt across the southern rim of the country and include: New Mexico, Texas, Arkansas, Missouri, Tennessee, South Carolina and North Carolina. They represent seven out of eleven states in this category.
2. Only three states which have adopted Social Security have made changes in the OASDHI program and they are New Jersey, Pennsylvania and Rhode Island.
3. Seven states specifically require that a classroom teacher serve on the retirement board and six of them from the south are: Alabama, Arkansas, Georgia, Kentucky, Louisiana and Mississippi.
4. Teacher retirement benefits in eleven states are funded exclusively from local school districts. Ten of these states are found in a belt running from the north-central to the north-west part of the nation and include: Iowa, Missouri, South Dakota, North Dakota, Wyoming, Montana, Colorado, New Mexico, Idaho and Oregon.
5. Only Missouri and Arkansas use a complex final average salary formula.
6. Until 1968 only two states in the nation, Kansas and Nebraska, had a service annuity type of retirement plan.
7. Seven states with final average salary plans designate a maximum percentage limit on the retirement allowance. The following four states in this group are from the northeast and include Connecticut, Massachusetts, Rhode Island and Vermont.
8. Statewide teacher retirement systems as contrasted with with state or public employee systems are found in a belt which runs in general north to south through the heartland of the nation and includes: Montana, North Dakota, Minnesota, Wisconsin, Michigan, South Dakota, Nebraska, Kansas, Oklahoma, Texas, Arkansas and New Mexico.
9. Five states define final average salary as three years and this group includes: Connecticut, Massachusetts and Rhode Island.
10. Nine out of fourteen states having alternate service provisions for normal retirement include: Connecticut, New York, Pennsylvania, Ohio, Delaware, Rhode Island, Virginia, West Virginia and Maryland.

Summation and Evaluation of this Section

Supplemental Social Security Is in the best Interest of Teachers

The argument is sometimes advanced that in some way the adoption of Social Security will endanger the benefits from the state-wide retirement system.

This position, however, is contrary to the experience of 36 states which have Social Security coverage. Some of these systems have been covered since 1951, and to date there is not any definite evidence that these systems have been weakened.

There are many advantages to the teacher from Social Security. After retirement Social Security payments, in addition to those from the retirement allowance, provided by the state-wide retirement system increases the benefit to the retirant. A teacher with full supplemental coverage from 1956–68 could retire with OASDHI benefits of almost $2,000 a year in addition to the regular state allowance.

Also to be considered are the disability, medical, death and survivorship benefits from this program both before and after retirement.

As has been noted, the experience of New Jersey and Pennsylvania support the position that teachers should have supplemental Social Security, and not coordinated or integrated programs.

Teachers have Little Influence over the Investment of Their own Contributions to Retirement Systems

Usually the retirement board oversees the investment of the funds of the retirement system. Nationally these boards have an average of six members. In those states which permit a teacher on the retirement board, there is generally one representative which means at best, teachers have about a 17% voice in any decisions of this body.

The influence of the teacher in this area is further diminished, however, when it is considered that only about 68% of the states designate a teacher retirement board representative, and then in about one-half of these cases the governor, and not the members, selects the teacher representative.

Founded perhaps in the antiquated philosophy that the retirement allowance is a charity contribution and not deferred wages, many state officials with whom this writer has discussed the matter maintain that teachers should not have a voice in this area.

It would seem that one of the priority goals of teacher retirement would be the achievement of teachers' voices in the investment of the retirement funds, particularly their own contributions.

For example, in Connecticut the 1967–68 Connecticut Administrative Report indicated that as of June 30, 1968 Teacher

Retirement funds totaled $325,051,330 which consisted of $184,798,797 in the members' annuity fund, $139,132,673 in the state's pension fund and $1,119,860 in the survivorship and dependency fund. In Connecticut the investment of the retirement funds is under the direction of the state treasurer with the advice of three financial advisers.

The position here is that $184,798,797 of the money is from the teachers' contribution, and that they have a moral right to have a voice in the investment of their own money.

Few Public School Teachers have the Opportunity to Participate in a Variable Annuity Program

Only a few retirement plans, such as those in New York City, Wisconsin and Minnesota, afford the opportunity for teachers to participate in a variable annuity program.

A variable annuity is a method of protecting the allowance of the teacher against inflation by the investment of a portion of the retirement contributions in common stocks and the remainder in traditional type of investments.

The value of the variable annuity plan is seen in the ten-year experience in Wisconsin which showed that on June 30, 1969, an average monthly payment from the variable annuity fund for the last eleven years of $120.74 per month as compared to $100.00 per month for the fixed portion.

The retirement plan for college teachers which pioneered the variable annuity concept, the College Retirement Equities Fund, showed an average increase of almost 10.96% per year from 1952 to 1967. This contrasted to about a 2% cost of living increase during the same 15 year period.

It is believed that one of the reasons for the slow acceptance of this excellent concept is tradition and the fact that the idea has not been adequately presented to the teachers.

Timid Retirement Fund Investment of New Money Produces Low Income Returns

The natural caution of fund investors, adherence to the prudent man rule and the negative influence of the great depression are factors which have contributed to the overly conservative investment policies generally found in statewide retirement funds.

In the last few years, however, partly due to inflation and teacher concern, the investment policies of many states is becoming more liberal, and many states permit investment in common stocks.

The investment of funds in common stocks is now one of the active trends in teacher retirement, although there is still a long way to go. New money investment returns to the states now average in the neighborhood of 4 1/2% to 6% per year although the present returns from the bond market are 8% to 9% per year, and the returns on common stock listed on the New York Stock Exchange from 1926–1960 averaged 9% a year.

Not only do low returns reduce the retirement allowance of the teacher, but they also place an undue and unnecessary burden upon the taxpayers.

Normal Retirement Allowance Payments are frequently below the Poverty Level

The retirement allowance paid after 30 years of service by more than 80% of state-wide retirement systems is below the poverty level of $4,000 for a retired couple. For example, the retirement allowance for 30 years of service in South Dakota is less than $800 a year.

Because of this, many aged teachers are forced into applying for welfare, while others work as domestic servants just to survive.

Even considering benefits from Social Security, teachers with 30 years of service in about 40% of the states receive total Social Security plus state retirement allowance benefits below the level of poverty. It should also be remembered that there are about 40% of the nation's teachers who are not covered by Social Security in their retirement systems.

It is most imperative that the retirement allowance payments are so adjusted that not one public school teacher in the nation should be compelled to live his final years in poverty.

Adjustments of the Original Retirement allowance to Combat Inflation are usually Inadequate

The failure of statewide retirement systems to combat inflation and to enable the retirant to participate in an expanding economy is mirrored in the fact that 60% of the state systems do not allow for a planned adjustment of the original retirement allowance.

This is so despite the fact that the cost of living has increased on the average of 2% a year since 1900, and in 1968 it rose 5.5%.

At least eight states, however, do have an automatic increase mechanism linked to the cost of living, while Maine is the only state in the nation to have an automatic increase tied to the average increase in teacher salaries.

Another 20% of the states have annual automatic increases, usually of 1 1/2%.

If teachers, after retirement, are to maintain at least their original retirement allowance level, it is essential that the retirement allowance be automatically adjusted annually.

Restrictions Imposed by the States Upon the Operation of Retirement Systems often Limit Unreasonably the Rights of the Individual Teacher

While most certainly teacher retirement systems must operate within certain limits, many of the types and the extent of the limits found often in the area of teacher retirement are unreasonable and indefensible. They include:

1. Limits on maximum final average salary.
2. If a teacher leaves the service before retirement eligibility, his money is refunded, but often the interest on his money is reduced or withheld. (Widespread practice by the states.)
3. Investment in common stock prohibited by law.
4. Limit on after-retirement earnings.
5. The practice of determining final average salary as in the case of West Virginia as the best 5 out of the last 15 years.
6. Limiting automatic after-retirement increase often to 1 1/2%.

These are only a few of the variety and types of limits often used by the states as a cost cutting factor. As may be seen, the rights and freedom of the teacher are sacrificed in the process.

Teachers are usually Penalized if They move to a Different State

We could have included this discussion under limits in the above section, but it is being treated separately because of its importance.

Generally state-wide retirement systems are designed to best serve the interest of teachers who stay within the boundaries of that one state. They are structured for that one job economy of a past era.

This structure becomes evident when an examination is made of the areas of creditable out-of-state service and credit for military service.

More than 50% of the states across the nation do not recognize out-of-state service as a factor in determining the retirement allowance. In addition, in those states which do permit the purchase of out-of-state service, about 14% of these states require the teacher to pay an amount not only equal to the member's contribution but also the employer's contribution plus interest.

Limits are also placed upon military service credit. Many states require that the service be in time of war or national emergency, while other states set a limit on the number of years of military service which are creditable.

Another common restriction is that a teacher must have taught in a given state both before and after military service.

Vesting is also an important consideration when discussing teacher mobility. One of the present major weaknesses is that the teacher receives after-retirement annuity payments, based upon his salary, at the time of vesting and not at the time of retirement.

These inequities in the area of out-of-state service and vesting would largely be eliminated if H.R. 13916 is passed by Congress.

U.S. Representative Perkins, Chairman of the Education and Labor Committee of the House, on September 19, 1969 introduced this bill, cited as the "Mobile Teachers' Retirement Assistance Act" which is designed to improve education by increasing the freedom of the nation's teachers to change employment across state lines without substantial loss of retirement benefits through establishment of a federal-state program.

Representative Perkin's bill would provide:

a. That each state which participates in the federal-state program would agree to include in its state teacher retirement system a provision for full vesting rights after no more than five years of service.

b. That each participating state agree to accept up to ten years of out-of-state service, not vested elsewhere, under an arrangement whereby the employee's share of the cost would be borne by the employee, and the employer's portion of the cost would be shared by the state and federal governments.

c. That federal funds be used to supplement deferred benefits paid to mobile teachers by state retirement systems so as to raise them to a level substantially equivalent to benefits provided non-mobile teachers with comparable years of service.

Passage of H.R. 13916 would be a milestone in the area of teacher retirement.

The Merger of Teacher Retirement Systems with Public Employee Systems do not usually Serve the best Interest of Teachers

Although it may be argued that the teachers of Idaho benefited in 1967 when they joined the Public Employees System instead of the voluntary teachers retirement system, in general, there are valid reasons against such a change. Even in Idaho, for example, the type of retirement plan under the new public employee system is questionable.

One of the important reasons against dissolving teacher retirement systems and having the teachers then join a public employee system is that the opportunity for the teacher's voice to be heard is reduced.

Teachers just become another state employee, in effect. For example, a common requirement for membership on the retirement board of a public employee system is that the individual must be a member of the system. This could mean that teachers would have no voice in decision-making processes.

Final Average Salary Plans are most Advantageous For Teachers

Of all the major types of retirement plans, the final average salary plan best meets the needs of teachers because the final average salary factor in the formula recognizes relatively recent economic conditions.

The result is that the original retirement allowance is based upon present conditions. This is not so with the money purchase plan (which has definite advantages for the mobile teacher), or the service annuity or lifetime contribution plans.

The final average salary plan is becoming increasingly popular, and it is found in at least 35 states.

However, the final average salary plan does not provide for the rise in the cost of living after retirement. This is one of the key reasons why cost of living provisions and a variable annuity program are important.

Disability and Before-Retirement Survivorship Benefits generally do not meet the Needs of Teachers or Their Dependents

Although all the states with the exception of Iowa make provisions for disability retirement, the requirement and benefits tend to be inadequate for the needs of teachers.

Exactly one-half of the states require that a teacher must have ten years of service before retiring on disability, and this is total disability. In addition, the disability benefits tend to be unrealistic despite Social Security considerations.

For example, in Connecticut which does not have Social Security, a teacher must have ten years of service in order to receive 15% of his salary.

Another area often neglected by statewide retirement systems is survivorship benefits for the dependents of teachers who die before becoming eligible for early or normal retirement benefits.

Nationally, 40% of the states do not provide for periodic payments to the dependents of teachers who die before becoming eligible for retirement. Service requirements vary from immediately in Connecticut to 35 years in Vermont.

A few states including Florida fund their survivorship programs by additional contributions.

Information for Members Published by the State Offices of Retirement Boards is generally Complex, Dull and Confusing

In the course of this study it was necessary to read all available information published by the 50 state retirement systems in which teachers are members.

This herculean undertaking was a rather frightening and discouraging task. In general the booklets and pamphlets were written in legal terminology, the print was often small and difficult to read, and the information was usually presented in a dull and listless manner.

If the purpose of these publications was to inform the prospective retiree and prepare him psychologically for the post-retirement period, they usually missed their goal.

Many of these publications, instead of being instruments of information and inspiration, were rather like copies of last wills and testaments.

There were, however, a number of exceptions to these general observations.

The Public Employee Retirement System of Idaho, *Your Retirement Program*, used pictures and was well written.

Another pleasant exception was the colored leaflets, one on each subject such as service retirement, by the Teachers Retirement System of Kentucky. The Teacher Retirement Systems of Ohio and Texas also employed this individual subject method.

A different approach was used by the Public School Retirement System of Missouri in their booklet, *Handbook of Information.* At the edge of each page there was a green border which had the names of various subjects printed on it.

Now it is possible to understand why many states produce sub-standard retirement literature. They probably do the best they can although understaffed. In addition, the operating expenses provisions in these offices are often inadequate.

However, it would seem that in the interest of future retirants every possible effort should be made by retirement boards to correct this situation.

PART IV
TEACHER RETIREMENT SYSTEMS IMPROVEMENT

The following are some suggestions for the improvement of retirement systems to which teachers belong:

1. Normal retirement after 20 years of service at 50% of final year's salary. Payments would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula would be 2 1/2% per year to 80% of final year's salary.
2. The establishment of Social Security in all state-wide systems on a supplemental basis.
3. Teacher representation on retirement board by statute.
4. Teacher participation in retirement fund investing.
5. The opportunity for teachers to participate in a variable annuity program with common stock investments to 75% of teacher's contribution.
6. New money investments in common and preferred stocks to 50% of public retirement fund assets.
7. Average retirement fund investment returns of at least 9% of new money.
8. Annual automatic cost of living adjustment of the original retirement allowance based upon the identical change in the consumer price index.
9. Opportunity to purchase fifteen years of out-of-state service with teacher and employer both paying their proper share of the money.
10. Vesting after five years of service with deferred payments at age 55. Vesting payments should be related to final average salary.
11. Full credit for military service paid by employer without restrictions.
12. Adoption of final average salary plans by the states.
13. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year. Additional allowances for a wife and children under 18 years of age if unmarried and under 22 if attending school would also be granted.
14. A widow's survivorship allowance of at least $3,000 if her husband dies before retirement and a family income of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final year's salary for each additional unmarried child under 18 or 22 years of age if attending school.
15. An annual cost of living adjustment of disability and survivorship benefits identical to the change in the consumer price index.
16. No compulsory retirement age set by state statute, but a local board of education could request retirement after age 70.
17. No limit to after-retirement earnings.
18. Additional study of the pros and cons of contributory and noncontributory plans. Perhaps a contributory plan would assist the teacher in gaining a larger voice in the investment of retirement funds.
19. Establishing an office of teacher retirement in the Department of Health, Education and Welfare.
20. Payment of full interest in addition to full contributions if a teacher leaves the service before achieving retirement eligibility.
21. A lump sum death payment of $1,500.
22. More active programs of pre-retirement counseling.
23. A national rating scale for publications of retirement offices.
24. Retirement housing associated with local state and community colleges.
25. Develop more teacher experts in financial matters.
26. Establish reciprocity between two states as an experiment.
27. Explore possibility of a planned work program for retirants.

Chapter 18
FINAL SUMMATION AND CONCLUSION

Teachers' Retirement System of the City of New York

The Teachers' retirement system in New York City is one of the most exciting systems in the nation.

For example, it is expected that as a result of the coming session of the legislature, the normal retirement provisions will include retirement after 20 years of service at 50% of the final year's salary. Payments would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired.

In addition, teacher contributions to the retirement fund would be reduced to a 1 to 3 ratio as compared to city contribution.

Another noteworthy factor, in addition to supplemental Social Security, is the variable annuity program which offers members the opportunity to assign 50 or 100% of their contributions to the variable annuity program.

The city system also has reciprocity with the New York State Employees' Retirement System. It provides health insurance to retirants paid by the city, has the interesting Death Bed Gamble provision and affords teachers the opportunity to purchase fifteen years of out-of-state service.

Teachers may also participate in the tax-deferred annuity program which is expected to become effective in February 1970. Under this plan no current federal, state or local income taxes are paid on contributions made to this program.

Contributions may be made in any amount up to the maximum exclusion allowance permitted by the U.S. Internal Revenue Code. The program offers fixed dollar annuities, variable annuities or a combination of both.

One of the most important aspects of the New York City retirement plan is the structure and function of the teachers' retirement board.

It could well serve as a national model. The retirement system is administered by a seven-member retirement board composed of the president of the board of education, the comptroller of the city of New York, two members appointed by the mayor, one of whom shall be a member of the board of education, and three persons who are members of the retirement system elected by the membership for a three year term of office.

On any given vote, the majority must include a teacher-member representative and a representative from the city administration.

The retirement board has exclusive control and management of the funds of the system and has full power to invest the funds as provided by law.

The Future of Teacher Retirement in America

The question of whether teacher retirement in the United States will continue to grow and flourish or wither and become stagnant is a vital consideration of the American teacher.

The answer most probably lies in the minds, in the will, in the courage and in the desire of the leaders in the retirement field and in the thoughts and actions of teachers.

Whether or not those after-retirement years will be filled with want, loneliness and fear, or whether they will be those golden years of dignity, confidence and self-respect is our choice.

Today we speak of those retired teachers. Tomorrow we will be those retired teachers.

PART V
INDIVIDUAL ANALYSIS OF STATE-WIDE RETIREMENT SYSTEMS

This section is concerned with the individual analysis of each of the 50 state-wide retirement systems in the nation to which teachers belong.

Sources for this analysis include publications of the state-wide retirement systems, the individual laws of the states, the School Law Summaries prepared by the NEA Research Division and the National Council on Teacher Retirement, personal interviews with retirement experts, questionnaires and source material from the American Federation of Teachers.

At the conclusion of the study of each state, the strengths of the system and possible system improvements are listed.

Such information could not only be helpful to the interested individual teacher, but it could serve also as an aid for legislative action in the field of retirement.

The analysis is based upon information available to June 1969.

ALABAMA
Teachers' Retirement System of Alabama

1. Administrative Structure

The Board of Control consists of seven members as follows: the state superintendent of education, the state treasurer, the state director of finance, and the executive secretary of the Alabama Education Association, all ex officio, and three members who must be members of the retirement system, one of whom must be a superintendent of education, one a principal, and one a classroom teacher. These three are elected for three-year staggered terms by members of the retirement system.

2. Financing

A. Member benefits are financed jointly by member contributions and public revenue. Members contribute 4 percent of total salary. At retirement, members may make an additional deposit for the purchase of an annuity which, when combined with the prospective retirement allowance, will not exceed one-half of the average final compensation at retirement age.

B. Employer
All of the public share of the financing is by the state in biennial appropriations. The normal contribution rate as of October 1, 1969, is 4.26 percent of payroll, and the accrued liability rate is 4.70 percent of payroll.

C. Interest on members' contributions is credited at the rate of 4 percent compounded annually on the preceding year's balance. The interest rate is fixed by the retirement law, but may be revised downward by the Board of Control.

3. Investments

Investments may be in such classes of bonds, mortgages, common and preferred stocks, shares of investment companies of mutual funds, or other investments, as the Board of Control may from time to time approve, subject to all the terms, conditions, limitations, and restrictions imposed by the laws of Alabama upon domestic life insurance companies in the making of their investments. The Board of Control has full power to invest funds, and to hold, purchase, sell, assign, transfer, and dispose of any such investments. Investments in common and preferred stock cannot exceed 20 percent of the total book value of all investments.

The Board of Control elects from its membership a three-member investment committee. This committee considers all investment recommendations made by the secretary-treasurer and shall approve or disapprove the same. The Board of Control may appoint and employ as consultant a bank which has its principal office in Alabama, which qualifies, and which has an organized investment department. The secretary-treasurer has the authority, and it shall be his duty to carry out the investment policies fixed by the Board of Control.

As of September 30, 1967, total investments, exclusive of cash, were $216,912,239; cash on hand was $611,635.

4. Social Security Coverage

Social Security was adopted by referendum in 1954 and became effective January 1, 1955. Coverage is state-wide. The employer's share of the Social Security tax is paid by the state. Benefits are entirely supplemental to retirement allowance.

5. Tax-Sheltered Annuities

Not available from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1968, the total number of retirants and survivor-beneficiaries receiving benefits was 5,989. The average annual retirement allowance was $1,940. During the last retirement year, 850 members retired. For this group, the average annual retirement allowance was $2,300 plus Social Security.

7. Creditable Service

Military service after February 1, 1960.
Military service is limited to four years.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state service is not creditable.

B. Vesting and Deferred Allowance
Benefits vest at age 55 if in service at age 55 with 10 years of service, or at any age with 15 years of service. The benefit formula for deferred retirants at age 60 is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with 10 years of service for those enrolling after October 1, 1963. State-matching contributions cease at age 65 for the money-purchase plan.

B. Early Retirement
None.

C. Disability Retirement is provided at any age after 10 years of service.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement
Benefits are payable on the basis of the highest amount computed as follows: (a) money-purchase plan, or (b) 1¼ percent times years of service times highest five-year average salary out of the last 10 years; or (c) $6.00 per month for each year of service to a maximum of 25 years for all teachers as defined in the law.

B. Early Retirement
None.

C. Disability Retirement
The annuity is based on the member's accumulated contributions and a pension which shall be equal to 75 percent of the pension that would have been payable if he had continued in service to age 65. The 1¼ percent formula is applicable to disability retirement with a reduction of ¼ of 1 percent for each month of retirement prior to age 65.

11. Death and Survivorship Benefits

A lump sum payment of the member's accumulated contributions plus an equal amount up to $5,000 is made to the named beneficiary or to the estate if the member dies in active service.

At retirement a member may elect one of several optional methods for payment of benefits.

12. Regularly Planned Cost of Living Adjustment after Retirement

None. Depends on legislature from year to year.

13. Strengths of the System

A. Supplemental Social Security.
B. Investment in common and preferred stock.

14. Recommendations for Improvement of the System

A. Returns of at least 9% on retirement fund investments on new money.
B. Vesting after 5 years at 55 years of age.
C. Opportunity to purchase 15 years of out-or-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
F. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

ALASKA
Teachers' Retirement System of Alaska

1. Administrative Structure

The commissioner of administration is responsible for the administration of the retirement system. The system is administered by the Retirement Section of the Division of Personnel. In 1963 an advisory board was appointed by the governor, but this board has no administrative power.

2. Financing

Benefits are financed jointly by member contributions and public revenue.

A. Members contribute at the rate of 5 percent base salary, defined as actual salary earned for the year. This contribution is deducted by the employer on the basis of the number of days taught. The daily rate is determined by dividing the annual contribution rate by 140.
B. The public share of the contribution comes from the employer and the state. Each contributes an amount equal to one-half of the teacher's contribution each pay period and shall be appropriated annually. This matching public share is not credited to the individual member's account.
C. Interest on the member's accumulated contributions is credited at the beginning of the third year of membership service and at the close of every year thereafter at the rate of 3½ percent.

3. Investments

Funds may be invested in bonds or other interest-bearing obligations and securities of the United States, a state thereof, a political subdivision of any state of the United States, with a population of 30,000 at the last federal census preceding the investment, except that this population limit does not apply to Alaska; in first lien real estate mortgage securities insured by FHA or held by the Veterans' Affairs Division of the Alaska Department of Commerce; and in corporate bonds, and preferred and common stocks; first lien real estate mortgages held by the Agriculture Loan Fund of the Department of Natural Resources; shares of federally chartered savings and loan associations in Alaska; deposits with mutual savings banks in Alaska and with state and national banks in Alaska.

Not more than 15 percent of the surplus may be invested in mortgage securities of the Alaska Department of Commerce, and the state shall appropriate sufficient money from the general fund to make good any losses as a result of failure of the obligees to pay on the notes.

The Commissioner of Revenue is the treasurer of the system and the official custodian of the funds. The Commissioner of Administration, the Commissioner of Revenue, and the Commissioner of Commerce guide the investment program. The National Bank of Commerce in Seattle is used for advisory investment services.

As of June 30, 1967, total investments exclusive of cash were $17,560,972; cash on hand was $20,711.

4. Social Security Coverage

None.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 124 retirants were receiving benefits. The median annual retirement allowance was $2,322.47. During the last retirement year, 22 members retired. For this group, the median annual retirement allowance was $4,112.64.

7. Creditable Service

A. Military service is creditable to a maximum of five years for active duty in the Armed Forces of the United States on or after January 1, 1940, provided the person entered the Armed Forces immediately after service as a teacher in a public school and returned to teaching in a public school within one year following discharge. If

entry into the Armed Forces was immediately preceded by membership service, Alaskan credit will be granted for military service. If entry was not from membership service, but the same qualifications were met when entering from another state, credit is granted as out-of-state service. Indebtedness is computed on all military service.

B. Leave of Absence
An authorized leave of absence without pay is not creditable.

8. Mobile Teacher

A. Purchase of Out-of-State Service for public school teaching is creditable to a maximum of 10 years. The member must contribute for the out-of-state credit at 5 percent of base salary at the time he joined the system plus interest at 3½ percent compounded annually on outstanding arrearage indebtedness, beginning from July 1, 1963, or date of employment, whichever is later, to date of payment.

B. Vesting and Deferred Allowance
Deferred retirement benefits are available after a teacher has completed 15 years of membership service, or after a teacher has completed 15 years of creditable service, 10 of which are in Alaska, and his attained age and credited service total at least 75 at the time he terminates Alaska service. The deferred benefit is payable at age 60 or later, but the teacher is not entitled to the benefit if he applies for it after reaching age 70. The retirement allowance is calculated as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with at least 15 years of creditable service, the last five of which are in Alaska membership service. Contributions continue as long as member remains in service.

B. Early Retirement is provided at age 55, with at least 15 years of credited service, the last five years of which are in Alaska membership service.

C. Disability Retirement for permanent disability is provided at any age to members with at least five years of membership service. Up to 10 years of out-of-state service may be credited for disability retirement, but this credit cannot exceed the number of years of credited membership service.

D. Compulsory Retirement
Retirement is not mandatory at any specific age. The retirement law states that a teacher shall be retired at age 65 unless he is retained by the employing school board.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is 1.5 percent of average base salary (the highest average base salary of any three years of the last 10 years of membership service) times total years of service.

B. Early Retirement
The benefit formula is the same as for normal retirement, but the annual annuity is reduced by ½ of 1 percent per month for each month under age 60.

C. The disability retirement of a teacher who becomes disabled after July 1, 1966, is 50 percent of his base salary immediately prior to becoming disabled plus 10 percent for each minor child under age 18, to a maximum of four children.

11. Death and Survivorship Benefits

In the case of the death of an active member who has made no supplemental contributions for the optional survivor benefits program, or who has made such contributions for less than a year, the named beneficiary or the estate receives a death benefit which consists of the member's accumulated contributions, and a base payment of $1,000 plus $100 for each year of completed membership service, plus an additional $500 if the deceased teacher is survived by one or more children under 18 years of age at the time of death. The maximum benefit (excluding the teacher's contributions) is $3,000.

If a teacher who has made supplemental contributions for the optional survivor benefits program for at least one year before death, either dies while in membership service or while receiving disability benefits, his surviving spouse is entitled to 35 percent of his base salary immediately prior to death or becoming disabled, plus 10 percent for each minor child to a maximum of four children. Also there is a cost of living adjustment of survivorship benefit.

12. Regularly Planned Cost of Living Adjustment after Retirement

Yes.

13. Strengths of the System

A. Investment in common and preferred stocks.
B. Cost of living adjustment for retired teachers.

14. Recommendations for Improvement of the System

A. Establish Social Security on a supplemental basis.
B. Teacher participation in investment of retirement funds.
C. Returns of at least 9% on retirement fund investments of new money.
D. Vesting after 5 years at 55 years of age.
E. Opportunity to purchase 15 years of out-of-state service.
F. Credit for an authorized leave of absence without pay.
G. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
H. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
I. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
J. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
K. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
L. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
M. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
N. A lump sum death burial benefit of $1500.
O. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

ARIZONA
Arizona State Retirement System

1. Administrative Structure

The system is administered by a retirement board consisting of seven members, four of whom are members of the system (teacher, political subdivision employee, state administrator, and state employee) and three lay members (law, investments, and insurance or actuarial experience). Members are appointed by the governor and confirmed by the state senate. The term is for five years, and members may be reappointed.

2. Financing

Benefits are financed jointly by member contributions and public revenue.

A. Member

Members contribute five percent of salary. A member may deposit, as a lump sum, an amount not to exceed the total of his contributions already accumulated in his account, except that there shall be no voluntary contributions during the year before retirement.

B. Employer

Public financing is by the county and is five percent of of the member's salary. School districts that have elected membership for classified personnel provide the matching employer contributions. Employer contributions are posted to the member's individual account monthly. All contributions are current.

Prior-service pensions are, for teachers, an obligation of the state. These pensions were increased 25 percent in 1967. The liability is to be funded over a 14-year period.

C. Interest of 3.75 percent is credited to member and employer contributions, prior-service funding amortization schedules, and all benefit calculations. The interest rate is fixed by the retirement board on the advice of its consultants. Actual investments were earning 4.68 percent as of July 1, 1967. The excess in interest earnings above the 3.75 percent effective rate, as well as employer contributions on behalf of the withdrawing members, is allotted as a supplemental credit after administrative expenditures and reserve requirements are met. The June 30, 1967 supplemental credit is 5.2 percent, allotted to each member's employer account in the name of the active and the leave-of-absence member. The supplemental credit also provides an additional annuity for retired members.

3. Investments

Investments may be in U. S. Treasury and agency obligations, FHA and conventional mortgages, corporate bonds, and preferred and common stocks. Investments in mortgage and corporate securities are more restricted by the retirement law than like investments under the insurance code. The Retirement Board is charged with responsibility for investments and employs professional counsel. As of June 30, 1967, total investments exclusive of cash were $200,807,919; cash on hand $223,797.

4. Social Security Coverage

Social Security was adopted December 31, 1954, with coverage retroactive for the 1953 and 1954 calendar years. Coverage is state-wide and all public school teachers are included. The counties and school districts pay the employer's share of Social Security.

Social Security benefits are fully supplemental to retirement allowances. However, in certain areas, for example, disability pensions and system benefits are not emphasized as would be true if members were not included in the federal program.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 3,432 retirants and survivor beneficiaries were receiving retirement benefits. During the last retirement year, 489 members retired.

7. Creditable Service

Military service credit is included in prior-service credit if preceded and followed by state employment. Military service during membership years may be included as creditable service for the purpose of creating income eligibility, but not for annuity entitlement.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state service is not creditable, except that up to 15 years of out-of-service before July 1, 1943, is included in prior-service credit if the teacher was employed in Arizona in 1942–43.

B. Vesting and Deferred Allowance

Benefits vest after five years of service, and deferred allowance is payable at age 60 or later. The benefit formula for deferred retirants is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65, regardless of years of service.

B. Early Retirement is at age 60 with five or more years service.

C. Disability Retirement is available at any age if five years or more creditable service has been completed.

D. Compulsory Retirement

Retirement is compulsory at age 70. Teachers may be employed on a year-to-year basis from age 65 to age 70.

10. Requirement Benefit Formulae

A. Normal Retirement

The benefit formula is money purchase which produces an annuity based upon contributions and interest of the member and the employer, and supplemental credits during active employment.

B. Early Retirement

The normal allowance is actuarially reduced.

C. Disability Retirement is the actuarial equivalent of the normal allowance. The minimum allowance is $50 per month and is paid as long as funds in the member's account, including prior-service credit, are available.

11. Death and Survivorship Benefits

Beneficiaries of active members receive both the employee and the employer contributions, plus interest and supplemental credits.

12. Regularly Planned Cost of Living Adjustment after Retirement

Supplementary credits continue after retirement, accomplished by a "13th check" life annuity.

13. **Strengths of the System**
   A. Supplemental Social Security.
   B. Investments in common and preferred stocks.
   C. Current funding.
   D. Vesting after 5 years.
   E. "13th" life annuity check after retirement.
   F. Teacher participation in investments.

14. **Recommendations for Improvement of the System**
   A. Opportunity to purchase 15 years of out-of-state service.
   B. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
   C. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
   D. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
   E. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
   F. No compulsory retirement age fixed by the retirement law but a local board of education may require retirement at age 70.
   G. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
   H. Opportunity for teachers to participate in variable annuity program to 75% of contributions.
   I. A lump sum death burial benefit of $1500.
   J. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

ARKANSAS
The Teacher Retirement System of Arkansas

1. **Administrative Structure**
The board of trustees consists of 10 members: the state banking commissioner, the state insurance commissioner, the state treasurer, and the state commissioner of education, all ex officio; six active members of the retirement system elected by the active members of the system, one elected each year for a period of five years, one member to be elected by the state convention of the Arkansas Teachers Association, one elected member trustee to be chosen from each of the four congressional districts of the state, and one elected by the Department of Classroom Teachers of the Arkansas Education Association.

2. **Financing**
   A. Member
   Benefits are financed jointly by member contributions and public revenue. Members contribute 6% of salary as of July 1, 1969 to a maximum of $7,800 or 6% of actual salary. The member's contributions are credited to the individual member's account. No contributions are permitted for supplemental benefits or other provisions.
   B. Employer
   The state's contribution for the fiscal year beginning July 1, 1969, is $9,300,000 and then an increase of $800,000 beginning July 1, 1970. Each year thereafter the amount of increase shall be the increase for the previous fiscal year plus $100,000, unless an actuarial valuation of the retirement system indicates a lesser amount of increase is sufficient.
   C. Interest on the member's contributions is credited at retirement. The current rate is 2½ percent. The rate is set by the board of trustees.

3. **Investments**
Funds may be invested in state and federal obligations, including FHA and VA mortgages, and corporate bonds which are rated A or better by at least two reputable rating agencies, and in insured conventional loans. The investment authority is in the board of trustees. The board has employed investment counsel. Considerable freedom for investment policy is left up to the executive director and the investment counsel. As of June 30, 1967, total investments, exclusive of cash, were $75,628,653.09; cash on hand was $1,763,440.

4. **Social Security Coverage**
Social Security was adopted in 1961, and became effective July 1, 1961. Coverage is state-wide. The employer's share of the Social Security tax is paid by the local school district. Social Security is on a coordinated basis.

5. **Tax-Sheltered Annuities**
Not available to members from the system.

6. **Number of Retirees and Benefits Paid**
As of June 30, 1967, the total number of retirants and survivor beneficiaries was 3,987. The average annual retirement allowance for superannuation was $1,680,72; for disability it was $1,370.28. During the last retirement year, 390 members retired. For this group, the average annual retirement allowance for superannuation was $2,066.34, and for disability it was $1,592.83.

7. **Creditable Service**
Military service.
Compulsory military service is creditable to a maximum of five years, with specified time provided for establishing the credit.

8. **Mobile Teacher**
   A. Purchase of Out-of-State Service
   Out-of-state service is creditable for members who agree to purchase it within two years of entry.
   B. Vesting and Deferred Allowance
   Benefits vest at age 60 with 10 years of membership service. A member at any age with 25 or more years of Arkansas service may retire as an inactive member with benefits payable the first month following age 60. The formula for deferred retirants is the same as for normal or disability retirement.

A member of this system with three or more years of service who accepts employment in a position covered by the Arkansas Highway Retirement System and continues such employment until he qualifies for retirement in one of these systems may qualify for benefits from the Teacher Retirement System based upon years of service he had thereunder.

9. Requirements for the Right to Retire

A. Normal Retirement is age 60 with 10 years of Arkansas membership service, excluding military service, and with a minimum of one year of teaching service on or after attaining age 60.

B. Early Retirement for active members (before age 60) is available with 30 years of credited service.

C. Disability Retirement is available to (a) an active member with 10 years of Arkansas credited membership service with at least the last five years of Arkansas membership service, or (b) an inactive member with 10 years of Arkansas credited membership service and who is on a duly authorized leave of absence not exceeding two years, or (c) an inactive member with 27 years of Arkansas credited service.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 72.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is 2 percent of the first $3,500 of final average salary (average of best five consecutive years in the last 10 years before retirement) times credited service rendered prior to July 1, 1957; plus 2 percent of the full final average salary up to $5,000 times credited service rendered after June 30, 1957, and prior to to July 1, 1961; plus 1.25 percent of full final average salary not to exceed $5,000 times credited service rendered after June 30, 1961, and prior to July 1, 1965; plus 1.25 percent of full final average salary not to exceed $6,000 times credited service rendered after June 30, 1965.

B. Early Retirement
Benefits are reduced approximately 5 percent from normal retirement benefits for each year of early retirement.

C. Disability Retirement
The benefit formula is the same as for normal retirement.

11. Death and Survivorship Benefits

A lump sum refund of the deceased member's contributions plus interest is payable to the beneficiary if no survivor benefits are payable.

Survivor benefits are payable upon the death of an active member with five or more years of Arkansas credited service, of which at least two were immediately preceding death, to certain dependents as follows: (a) to a widow or dependent widower who has the care of the deceased member's children under age 18, $100 monthly for one or two children and $150 for three or more children; or (b) to a dependent widow at age 50, if the deceased member had 15 or more years of credited service, $50 a month or 50 percent of the amount the member was qualified to receive, whichever is greater; or (c) to a widow or widower at age 62, regardless of dependency status, $50 a month or one-half of the amount the member was qualified to receive, whichever is greater; or (d) to dependent children under age 18 under the case of a guardian - one child, $50 a month, two children, $100 a month, three or more children, $150 a month, or (e) to a totally dependent mentally incompetent child regardless of age, $50 per month; of (f) to each dependent parent, $50 per month.

12. Regularly Planned Cost of Living Adjustment after Retirement

As of July 1, 1969 (after 12 months service) one percent increase for each year on roll to 10 percent. After July 1, 1970 the increase will be 1½ percent per year.

13. Strengths of the System

A. Teacher participation in retirement fund investing.

B. Compulsory retirement at age 72.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental and not coordinated basis.

B. Returns of at least 9% on retirement fund investments.

C. Vesting after 5 years of service at 55 years of age.

D. Opportunity to purchase 15 years of out-of-state service without prior service.

E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.

G. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.

I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.

J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

L. A lump sum death burial benefit of $1500.

M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

CALIFORNIA
State Teachers' Retirement System of California

1. Administrative Structure

The system is administered by a board consisting of the superintendent of public instruction; the director of finance; the state controller; one member who at the time of appointment is a member of the governing board of a school district; three members of the retirement system, at least two of whom are classroom teachers (kindergarten through 14) at the time of appointment; one official of a life insurance company, appointed for a term of four years; and one official of a bank, appointed for a period of four years. Members of the board, except the ex officio members, are appointed by the governor. The bank and insurance company representatives are appointed by the governor with the consent of the state senate.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute a percentage of earned salary, with no maximum limit but exclusive of compensation for overtime. The percentage varies according to sex and age of the member to provide, on the average, one-half the current cost of the service annuity. The percentage is based on the member's nearest age at July 1, 1944, or such later date as he is first required to make contributions, or his higher attainment age if he elected not to redeposit withdrawn funds.

B. Employer

Public funds are provided by contributions of the local employing district and by the direct annual appropriations by the state general fund. Public contributions do not vest to the system, and public monies are not credited to the individual member's account. Local districts contribute $6 for each member of the system employed by that district in December and May of each year. In addition, 3 percent of each district's certificated payroll is transmitted monthly to the system office. The legislature appropriates annually from the state general fund whatever additional amount is necessary, over and above that provided by the public contributions from the local district, to provide the benefits which are to be paid during that year and which are not funded by the accumulated contributions of the members to whom such benefits are paid. The sum appropriated annually by the state legislature is based upon estimates the system makes of the total public benefit cost for the coming fiscal year that will not be provided by local district contributions. The system operates on a cash basis so far as the public obligation is concerned, so there is no funding of the public liability.

C. Interest is paid at the current rate of 4 percent compounded annually on member's contributions on deposit for the entire completed fiscal year. The rate is set annually by the retirement board. Interest is credited up to the effective date of retirement or, in the case of a refund or death, to the date payment is made.

3. Investments

The retirement law limits the retirement system's investments to those prescribed for savings banks incorporated in the state of California. Investments may be made in bonds of privately owned corporations of the United States government and its instrumentalities, other states, municipalities, and public utilities. The constitution prohibits investments in equities. Total investments as of June 30, 1967 exclusive of cash were $1,235,350,469; only a bare minimum of cash on hand is maintained.

Investments are authorized through the Teachers' Retirement Board. The board delegates authority for the selection, purchase, and sale of securities to the executive officer of the retirement system, who may make purchases from prior established lists of authorized security-issuing government units and private organizations.

4. Social Security Coverage

None. Certain school employees of San Francisco who belong to the local San Francisco retirement system are covered by Social Security and contribute $60 per year to the state retirement system for additional benefits.

5. Tax-Sheltered Annuities

Tax-sheltered annuities are available to members through the retirement system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, the total number of retirants and survivor beneficiaries receiving benefits was 32,888. During the last retirement year 2,433 members retired.

7. Creditable Service

Military service is creditable for active military service of the United States or the State of California, including active service in any uniformed auxiliary of such service, provided the member was employed in a status requisite for membership or credit in the system within one year prior to entering the service. Time in military service is considered as being in the state in which the member was last employed before entering such forces.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state service is not creditable.

B. Vesting and Deferred Allowance

Benefits vest after five years of California service. There is no requirement that the minimum must have been served at any particular time prior to application for retirement, except that the member who did not render any service between July 1, 1935, and June 30, 1950, is required to serve for two creditable years after the latter date. The benefit formula for deferred benefits is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60, with five years of California service.

B. Early Retirement is at age 55, with five years of California service.

C. Disability Retirement is available at any age, with five years of California service. Disability, physical or mental, must be permanent or of uncertain duration. There are no temporary disability benefits, and no waiver of contributions is involved.

D. Compulsory Retirement is not required by the retirement law. Other state law ends tenure at age 65. Employment on a year-to-year contract basis beyond that point is at the discretion of the school district.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is 1/60 of the final compensation (the average of three highest consecutive years of salary) times years of service. The 1/60 is actuarially increased to a maximum of 137 percent of 1/60 at age 65 when retirement age is over 60.

B. Early Retirement
The normal benefit formula is actuarially reduced for retirement under age 60.

C. Disability Retirement formula for each year of credited service is equal to 1½ percent (90 percent of 1/60) of the highest salary during any three consecutive years of membership. Members with 10 or more years of service are guaranteed 25 percent of final compensation, with certain exceptions. The disability allowance will be at least as much as it would have been had the member retired for service rather than disability.

11. Death and Survivorship Benefits

The lump sum death benefit payable to a beneficiary consists of the member's contributions made after July 1, 1935, plus interest, and if the member's death occurred within four months of his termination of employment, an amount from the state equal to 1/12 of the member's annual salary at the rate at which he was last employed for each completed year of membership service, to a maximum of six years.

If the member's death occurred within four months of termination of employment but prior to retirement, and if the member was eligible for a service retirement (five years of California service and age 55 or over), there is payable, in lieu of the lump-sum benefit, a monthly allowance equal to one-half of the retirement allowance the member could have received had he retired on the day of death. This continuing payment is payable to the member's widow or dependent widower, and is in addition to any survivor benefit which may be due.

Survivor benefits are payable upon the death of an active member within four months of his termination of employment, and before retirement, to a surviving widow or dependent widower having the care of one child of the deceased member in the amount of $180 a month, or $250 a month if there is more than one child. Payments on account of the child cease when the child reaches age 18 or marries. Payment to the eligible spouse ceases upon remarriage or when there are no additional eligible children in his care Payment to the eligible spouse is resumed in the amount of $90 a month upon the attainment of age 62 if there has been no remarriage. If there is no spouse or dependent children under 18, a female dependent age 62 or over if not remarried, or a male dependent age 65 or over is entitled to a survivor benefit of $90 per month.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Teacher participation in retirement fund investing.
B. Vesting after 5 years.
C. Survivorship program.
D. Disability retirement after 5 years.

14. Recommendations for Improvement of the System

A. Establish Social Security on a supplemental basis.
B. Return of at least 9% on investment of new money.
C. Opportunity to purchase 15 years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
F. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

COLORADO
The Public Employees' Retirement Association of Colorado

1. Administrative Structure

All divisions of the system are administered by a single retirement board consisting of the state auditor, the state treasurer, and the secretary of state as ex officio members, and four state employee members, three school employee members, and two municipal employee members. Employee members are elected by the membership for four-year terms. Members of the board serve without compensation but are reimbursed for necessary expenses. The board appoints an administrative secretary and other employees.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 6 percent of regular salary. There is no provision for voluntary supplementary benefits except the survivor's insurance described above.

B. Employer
The local employer matches the 6 percent contribution of the member. Employer contributions are not credited

to members' accounts. They are held in members' retirement reserve accounts until retirement and then are transferred to the annuitants' retirement reserve.

C. Interest
No interest is credited on members' accumulated contributions.

3. **Investments**
At least 60 percent of the investments must be in government bonds and federally insured or guaranteed bonds or mortgages on real estate. The retirement board is authorized to invest up to 30 percent of the funds in public utility bonds and debentures and up to 10 percent in common or preferred stocks of the highest quality. The retirement board, as trustee of the funds, has full power and authority to invest and reinvest the funds of the association.

As of June 30, 1967, total investments exclusive of cash were $143,905,772; cash on hand was $313,894.

4. **Social Security Coverage**
None.

5. **Tax-Sheltered Annuities**
Not available to members from the system.

6. **Number of Retirees and Benefits Paid**
As of June 30, 1967, for the school division, the total number of retirants and survivor beneficiaries receiving benefits was 1,828. The average annual retirement allowance was $1,557.96. During the last retirement year, 288 members retired. For this group the average annual retirement allowance was $2,280.60.

7. **Creditable Service**
Military service is creditable when a member is inducted into active military service with the National Guard, U.S. Army or Navy, or other branch of service engaged in the national defense. Contributions equal to the amount which would have been made had the member remained in service are required unless the compensation received is less than the last rate of salary while in public service.

8. **Mobile Teacher**
A. Purchase of Out-of-State Service
Out-of-state service is not creditable.
B. Vesting and Deferred Allowance
Benefits vest after five or more years of coverage, and a deferred allowance is payable at age 65. The benefit formula is 2½ percent of final average salary multiplied by a number of years of credited service, not to exceed 20 years.

9. **Requirements for the Right to Retire**
A. Normal Retirement is at age 60 with 20 years or more of covered service or at age 55 with 35 years of covered service. Contributions continue as long as the member continues in active service.
B. Early Retirement is provided at age 55 with 35 years of service.
C. Disability Retirement is available at any age to members with 15 consecutive years of covered service, who are permanently unable to carry on regular employment duties, whether the disability is service-incurred or not.
D. Compulsory Retirement is not required by the retirement law. Other state legislation ends tenure at age 65.

10. **Requirement Benefit Formulae**
A. Normal Retirement
The benefit formula is 2½ percent of final average salary (average of the highest five consecutive years within the last 10 years of service) multiplied by the number of years of service not to exceed 20 years. There is a reduction in the annuity for those retiring prior to age 60 if the annuity exceeds $300 per month.
B. Early Retirement is provided at age 55 with 35 years of service under the normal retirement formula.
C. Disability Retirement
The disability benefit is the same as for normal retirement.

11. **Death and Survivorship Benefits**
A lump sum payment of the member's accumulated contributions is made to the beneficiary if a member dies in active service if no other benefits are payable.

If a deceased member having three or more years of covered service leaves a widow and one or more children under age 18, the widow receives survivor benefits of $200 per month until the youngest child reaches age 18. Upon the remarriage or death of the widow prior to the youngest child's reaching age 18, the children are entitled to $75 per month per child not to exceed a total of $200 a month. The above benefits were increased about 25 percent by the 1969 Legislature.

12. **Regularly Planned Cost of Living Adjustment after Retirement**
As of 1969 a 1½ percent annual increase in retirement benefits of present and future retirants as modified by consumer price index.

13. **Strengths of the System**
A. Investments in common and preferred stocks to 30%.
B. Teacher participation in retirement fund investment.
C. Current funding.
D. Vesting after 5 years at 55 years of age.
E. Can receive to 70% of final average salary.

14. **Recommendations for Improvement of the System**
A. Establish Social Security on a supplemental basis.
B. Returns of at least 9% on retirement fund investments of new money.
C. Opportunity to purchase 15 years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
F. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.

I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

CONNECTICUT
Connecticut Teachers' Retirement System

1. Administrative Structure
The system is administered by a board of five members including the bank commissioner, insurance commissioner, and commissioner of education who serve ex officio, and two teacher representatives, elected by the membership, who serve for overlapping four-year terms. The executive secretary is appointed by the board according to merit system law. Board members serve without compensation but are reimbursed for necessary expenses in connection with their attendance at meetings.

2. Financing
A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 6 percent of salary, 1 percent of which is to finance survivor benefits. Members may voluntarily contribute additional amounts at rates of not less than 1 percent of salary. The additional contributions will be paid in a lump sum of supplemental annuities at retirement.
B. Employer
At the time of retirement, a reserve is drawn from state appropriations which, when invested, will pay the pension portion of the retirement allowance for the retirant's lifetime.

Survivor benefits are financed by member contributions, forfeitures of 1 percent contributions and interest by withdrawing members, and by state appropriations.
C. Interest is credited to members' accounts annually at a rate determined by the board and is based on earnings of investments during the calendar year. The 1966 interest rate was 4¾ percent.

3. Investments
Investments are limited by law to those legal for savings banks in Connecticut, and include United States, state, municipal, Canadian, and international bank obligations, public utility and railroad bonds, and bank stocks. Investments in common stocks are not permitted.

All funds of the system are in the custody of the state treasurer who, with the advice of the Investment Committee (consisting of three members), invests such funds as are not required for current disbursement.

As of June 30, 1967, total investments, exclusive of cash, were $289,026,370; cash on hand was $498,380.

4. Social Security Coverage
None.

5. Tax-Sheltered Annuities
Not available to members from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1967, a total of 3,913 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $3,120. During the last retirement year, 324 members retired. For this group, the median annual retirement allowance was $4,337.

7. Creditable Service
A. Military service rendered "in time of war" is creditable if purchased by the member.
B. Leave of Absence
Credit may be purchased for absence due to illness, and for a leave of absence to a maximum of 10 months in any five-year period.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Out-of-state service credit to a maximum of 10 years may be purchased provided the member is not receiving or entitled to receive credit for such service from another state, and provided each state, territory, or possession in which such service was rendered makes similar provision for former Connecticut teachers. Members pay 5 percent of first Connecticut teaching salary, plus 5 percent interest, for each year of service.
B. Vesting and Deferred Allowance
Benefits vest after 10 years of Connecticut service, and are payable at age 60. The benefit is the actuarial equivalent of the normal allowance.

9. Requirements for the Right to Retire
A. Normal Retirement is at age 60 with 20 years of service in the public school of Connecticut, or at any age with 35 years of service, of which 25 years shall have been rendered in Connecticut.
B. Early Retirement is available at any age with 25 years of service (at least 20 shall have been rendered in Connecticut).
C. Disability Retirement is permitted after 10 years of Connecticut service provided the member becomes permanently incapable of rendering satisfactory service as a teacher.
D. Compulsory Retirement is required at age 70 by the retirement law.

10. Requirement Benefit Formulae
A. Normal Retirement
The benefit formula is 2 percent of the best three-year average salary for each year of service, to a maximum of 75 percent.
B. Early Retirement
The allowance is equal to 1/65 of the best three-year average salary times years of service.

C. Disability Retirement
The benefit is the actuarial equivalent of the normal allowance.

11. Death and Survivorship Benefits
A lump sum death benefit is payable to a widow or widower, if any, otherwise to the individual paying the funeral expenses in the sum of $500 if the member had 5 years or less of Connecticut service plus $100 for each additional year to a maximum of $1,000.

If a deceased member leaves a widow, the widow receives survivor benefits of $125 per month; a surviving child receives $125; each of two children, $100; each of three children, $93.33. A surviving dependent parent or widower receives $125 per month. The maximum family benefit is $300 per month.

12. Regularly Planned Cost of Living Adjustment
Effective July 1, 1969 retirement allowance will be adjusted according to changes in consumer price index. Increase is limited to 5 percent for the next biennium.

13. Strengths of the System
A. Relatively soundly funded (terminal funding).
B. Consumer price index adjustment for retirants after July 1, 1969.
C. Survivorship plan before retirement.

14. Recommendations for Improvement of the System
A. Establish Social Security on a supplemental basis.
B. Teacher participation in retirement fund investments.
C. Returns of at least 9% on retirement fund investments of new money.
D. Terminal funding changed to current funding.
E. Vesting after 5 years at age 55.
F. Eliminate such procedures as the bonding of over $60,000,000 of the teachers retirement fund money as for the biennium 1969-71.
G. The opportunity to purchase 15 years of out-of-state service.
H. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
I. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the the age of 23 if the individual is attending school.
J. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
K. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
L. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
M. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
N. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
O. A lump sum death burial benefit of $1500.
P. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

DELAWARE
Delaware Teacher Retirement

1. Administrative Structure
Treasurer of the State of Delaware is the administrator. Three trustees working with him are: secretary of state, budget director, and the Delaware Farmers Bank. They are known as Trustees for Employee Contributions. Five percent of salaries contributed to pension. Grievance Committee exists composed of three members: state treasurer, chairman; one member from State Superintendent of Public Instruction Office (known as the State Agency), and one appointee of the governor.

2. Financing
Governor's new recommendation: teachers contributions to a retirement fund for accumulated reserve. Presently fund is in Delaware Farmers Bank for accumulation.

3. Investments
Interest is put back into fund. Employee leaving service can receive 3½ percent interest on accumulated contributions and capital investment.

4. Social Security Coverage
Delaware is on regular Social Security; funds are automatically deducted from pay check. Payments made to teachers in Delaware on basis of either 20 per year or 24 per year.

5. Tax-Sheltered Annuities
Tax-sheltered annuities are available in Delaware.

6. Number of Retirees and Benefits Paid
The number of retirees averages 45 to 50 per year.

7. Creditable Service
Military service.
Two years are counted towards retirement. A teacher must have been in teaching service just prior or just following military service to obtain credit.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Not possible under present situation in Delaware.
B. Vesting and Deferred Allowance
No opportunity for vesting in Delaware. A plan has been recommended that a certain portion be available to employee wishing to retire before legally stated retirement age 60 after 20 years service should be entitled to a formulated fund or amount...as exists any employee (teacher or school employee) leaving service under twenty years and under age 60 receives no benefit.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with 15 years of service.

B. Early Retirement is provided at age 60 with 30 years of Delaware service.

C. Disability Retirement
None.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 75.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit for formula is calculated as follows: 1/60 times average monthly salary times years of service. The maximum benefit is $6000 per year.

B. Early Retirement – Same as normal retirement.

C. Disability Retirement
Limited disability exists in Delaware and is based upon the amount of experience times salary on a reduced ratio. The amount is in the vicinity of $2000 per year maximum.

11. Death and Survivorship Benefits

The surviving spouse will receive 50 percent of full benefits of the beneficiary at time of death.

12. Regularly Planned Cost of Living Adjustment after Retirement

Not regularly made available. When cost of living award is made, it is through legislative action.

13. Strengths of the System

A. Supplemental Social Security.

14. Recommendations for Improvement of the System

A. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

B. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement, and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.

C. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level of $4,000.

D. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. Benefit formula after 20 years would be 2½% per year to maximum of 80% final year's salary.

E. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.

F. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

G. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

H. A lump sum death burial benefit of $1500.

I. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

FLORIDA
Teachers' Retirement System of the State of Florida

1. Administrative Structure

The system is administered by a Board of Trustees consisting of the members of the State Board of Education and two teacher-members. The teacher-members are appointed by the governor for three-year terms.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 6 percent of total salary, plus an additional ¼ percent for the Survivors' Benefit Fund. There is no provision for additional voluntary contributions for supplementary benefits.

B. Employer
The public share of the contribution comes from the employer (state, county, or professional teacher association) each payroll period at the rate of 6.25 percent of total salaries. Prior to July 1, 1967, appropriations were made by the state on a pay-as-you-go basis.

C. Interest is credited to the member's individual account at the end of each fiscal year. The rate is determined by earnings on investments for the current year, and the payment is made in the nature of a dividend.

3. Investments

Investments are permitted in U. S. Government bonds and certain Florida bonds; up to 50 percent of the total portfolio may be invested in corporate bonds rated A, AA, or AAA. Up to 10 percent of the assets of the funds may be invested in common stocks of corporations meeting certain requirements.

Investments are handled by the State Board of Administration with the advice of a committee composed of directors of the State and Teachers' Retirement System, and the director of the Board of Administration, and with the advice of two bankers and an insurance executive who serve without pay.

As of June 30, 1967; total investments, exclusive of cash, were $267,742,973; cash on hand was $6,747,973.

4. Social Security Coverage

None.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 6,200 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $3,000. During the 1966–67 retirement year, 696 members retired. For this group the median annual retirement allowance was $4,000.

7. Creditable Service

Military service in the Armed Forces during war or national emergency is creditable to a maximum of five years, provided the member, before retirement, pays contributions with accumulated interest for the period of such military service on the basis of his last previous annual salary as a teacher before serving in the Armed Forces.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state service in public schools is creditable to a maximum of 10 years, provided the member purchases the credit.

B. Vesting and Deferred Allowance
Benefits vest after 10 years' service, and a deferred allowance is payable at age 55 if the member leaves his contributions in the system. The benefit formula is 1.5 percent of final average salary for each year of service for members who joined the system prior to July 1, 1963; thereafter, 1.3 percent.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with 10 years of Florida service. Contributions continue until the final day of service.

B. Early Retirement is available at age 55 with 10 years of Florida service.

C. Disability Retirement is available at any age to permanently disabled members with 10 years of Florida service.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70. With the approval of his employer, a member may complete the year during which age 70 is attained.

10. Requirement Benefit Formulae

A. Normal retirement
The benefit formula is 2 percent of the average final compensation (average of the highest 10 years in the last 15 years of service) multiplied by the number of years of service. Normal retirement is at age 62 for persons becoming members or renewing membership on or after July 1, 1963.

B. Early Retirement
The benefit formula is 1.5 percent of final average compensation multiplied by the number of years of service for persons whose membership date is prior to July 1, 1963. The factor is 1.3 percent for those beginning service on or after July 1, 1963.

C. Disability Retirement
The minimum disability retirement allowance is 25 percent of the average final compensation.

11. Death and Survivorship Benefits

The beneficiaries of members who die in active service receive the members' total accumulated contributions. If a member is eligible for retirement on the date of death, his surviving spouse, if designated the beneficiary, may elect the lump sum refund or a reduced monthly benefit for life.

Each member must contribute ¼ percent of salary for the Survivors' Benefit Fund. After one day of Florida service, a $500 death benefit is paid. In addition, $250 a month is paid if the teacher is survived by two or more children under age 18. The monthly benefit is reduced to $190 when one child remains and ceases when the child reaches age 18. A benefit of $100 a month is provided for each dependent parent over age 65. If a teacher dies within the first three years of employment, the payments are reduced by any Social Security benefits payable to the survivors. After three years of service, there is no offset by Social Security.

The surviving spouse of the deceased male member with one day of Florida service receives $100 a month beginning at age 50, plus a refund of accumulated contributions. Benefits are also provided for any children under age 18.

The surviving spouse of a deceased female member with 10 years of Florida service receives a monthly benefit of $125 beginning at age 65, plus a refund of accumulated contributions.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Investments in common and preferred stocks.

B. Teachers may participate in fund investment.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental basis.

B. Fund investment returns of new money of at least 9%.

C. Current funding and not pay-as-you-go.

D. Vesting after 5 years.

E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if individual is attending school.

G. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.

I. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.

J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

L. A lump sum death burial benefit of $1500.

M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

GEORGIA
Teachers' Retirement System of Georgia

1. Administrative Structure

The system is administered by a board of nine trustees consisting of the state auditor, the state insurance commissioner, the secretary of the Georgia Education Association, the secretary of the Georgia Teachers and Education Association, all ex officio, and a school administrator or a school principal, an employee of the Board of Regents, a classroom teacher, one member appointed by the governor for a term of three years, and a financial adviser not a member of the retirement system. The member that is either a school administrator or a school principal and the classroom teacher member are elected for a three-year term by the assembly of the Georgia Education Association.

An executive secretary and an actuary are employed by the board, and the attorney general is the legal adviser to the board. A medical board of three doctors appointed by the board passes on medical examination in connection with applications for disability retirement.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute 6 percent of total salary. There is no provision for additional voluntary contributions for supplementary benefits.

B. Employer

The public share of the contributions is paid by both the state and the local employer. As of July 1, 1969 the rate will be 7 percent. The state pays the matching fund on the state portion of the salary, and the local employer pays the matching fund on the local supplemental portion of the salary.

C. Interest is credited annually to members' accounts at end of the fiscal period. The rate is 3½ percent compounded annually. The rate is set by the retirement board.

3. Investment

Investments are subject to the limitations imposed upon domestic life insurance companies. Funds may be invested in United States Government bonds, tax-exempt bonds, corporate bonds, preferred and common stocks, and mortgages.

As of June 30, 1967, total investments, exclusive of cash were $346,933,399; cash on hand was $6,642,758.

4. Social Security Coverage

Social Security coverage was adopted on a divisional-local option basis in 1956, effective July 1, 1956. Coverage is on a county or independent school system basis; 134 school systems have Social Security coverage. The local school systems pays the employer's share of the Social Security tax. Social Security benefits are entirely supplemental to retirement allowances.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 5,093 retirants and survivor beneficiaries were receiving benefits. Of this number, 651 persons retired during the last retirement year. The median annual retirement allowance for all who were on the retirement roll on June 30, 1967, was $2,056.08.

7. Creditable Service

Military service credit for that rendered since January 1, 1945, may be purchased by the member under certain conditions. The retroactive contributions are at the regular member contribution rates that the member would have made had he been teaching plus the accrued interest at the rate of 3½ percent compounded annually. Members may establish credit for military service rendered prior to January 1, 1945, under certain conditions. The state assumes the liability for military service rendered prior to January 1, 1945, if allowable. Total military service is limited to five years.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state teaching service is creditable to a maximum of 10 years provided the state where the service was rendered recognizes Georgia teaching service. The cost is eight percent of the salary earned by the member in the other state plus accrued interest. A teacher who joins the system on or after April 1, 1966, (reciprocity not required after this date) must pay, in addition to the eight percent, the employer amount that would have been paid, plus interest.

B. Vesting and Deferred Allowance

Benefits vest after 20 years of service, and a deferred allowance is payable at age 60. The benefit formula for deferred retirants is the same as for early retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 63 with 10 or more years of service. Service is counted to a maximum of 40 years. A member at age 62 with 40 years of service ceases to contribute to the system, unless he elects to continue to contribute.

B. Early Retirement is at age 55 with 35 or more years of creditable service or at age 60 with 10 or more years of creditable service. Teachers who were members of the system as of June 30, 1961, may retire after 35 years of service regardless of age or at age 60 with one or more years of creditable service under the formula in effect prior to July 1, 1961 (money purchase formula).

C. Disability Retirement is available at any age below 60 with 15 or more years of creditable service and between ages 60 and 63 with at least 10 years of creditable service. The mental or physical disability must be of a permanent nature.

D. Compulsory Retirement

The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement

The benefit formula for retirement at age 63 is 1¾ percent of average salary for the best five consecutive years times the number of years of creditable service not to exceed 40 years. For retirement before age 63, the benefit is reduced by 1/12 of 3 percent for each month the member is under age 63.

B. Early Retirement

The benefit for early retirement under the percentage formula is the same as for normal retirement with the reduction for retirement prior to age 63 as outlined above.

C. Disability Retirement
The disability allowance is 1¾ percent of average salary for the best five consecutive years times number of years of creditable service not to exceed 40 years. There is no reduction because of the age of the member at time of retirement for disability.

11. Death and Survivorship Benefits
Upon death of a member prior to retirement, there is a lump sum refund of the member's contributions plus all accrued interest to the beneficiary. If the deceased member had fifteen or more years of creditable service prior to age 60, instead of the lump sum refund, there is available a monthly benefit to the designated beneficiary.

A member has a choice of four option plans of payment to provide a reduced monthly retirement allowance to the retired member for life, and upon his death, either a lump sum payment of the balance of his contributions plus interest, or monthly payment, to his beneficiary.

12. Regularly Planned Cost of Living Adjustment after Retirement
Effective July 1, 1970, a cost of living adjustment of .015 percent for two percent increase in cost of living every six months.

13. Strengths of the System
A. Supplemental Social Security.
B. Investments in equities to 50%.
C. Teachers may participate in fund investments.

14. Recommendations for Improvement of the System
A. Returns of at least 9% on retirement fund investments.
B. Vesting after 5 years of service at age 55.
C. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
D. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
E. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
F. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
G. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
H. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
I. A lump sum death burial benefit of $1500.
J. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

HAWAII
Employees' Retirement System, State of Hawaii

1. Administrative Structure
The system is administered by a board of trustees consisting of the state finance officer (ex officio), three members appointed by the governor, and three members elected by the members (one of whom must be a teacher) for rotating six-year terms.

2. Financing
A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute six percent of salary, plus ½ of 1 percent of salary to the post-retirement fund for automatic annual increases of 1½ percent in the retirement allowance. There is no provision for voluntary contributions for supplemental benefits.
B. Employer
The state and counties make the employer's contributions in an amount determined by the actuary to provide adequate funding required by law. The state and counties match the member's contribution to the post-retirement fund.
C. Interest at four percent is credited monthly to the members' accounts.

3. Investments
Investment authority is vested in the Board of Trustees. Investments are permitted in government bonds, U. S. corporate bonds and equities, and real estate mortgages on property with the state.
As of June 30, 1968, total investments, exclusive of cash, were $304,205,870. A working balance of cash was on hand.

4. Social Security Coverage
Social Security coverage was adopted in 1957, retroactive to January 1, 1956, on a divisional basis. The employer's share of the Social Security tax is paid by the government (state or county as the case may be).

5. Tax-Sheltered Annuities
Not available to members from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1968, a total of 4,625 retirants and survivor-beneficiaries were receiving benefits. During the last retirement year 619 members retired.

7. Creditable Service
Military service is creditable at no cost to the member if the member goes directly from his position to military duty and returns to his position within three months after his military discharge.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Out-of-state teaching service is not creditable.
B. Vesting and Deferred Allowance
Benefits vest after five years of creditable service, and the deferred benefit formula is that in effect when the deferred status was acquired.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 55 with five years of service.

B. Early Retirement is available with 25 years of service at any age.

C. Disability Retirement
Service-connected disability retirement is available upon certification by the Medical Board that the member is incapable of continuing in his present position.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is two percent of average final compensation for each year of service. Average final compensation is the average annual salary for the five highest years. The minimum allowance is $50 per month.

B. Early Retirement
The allowance is the same as for normal retirement, actuarially reduced for any age below 55.

C. Disability Retirement
The allowance for total disability is 2/3 of average final compensation for life. The service-connected disability allowance is paid for a maximum of three years when it is reduced to 1/3 of final average salary unless, upon reexamination by the Medical Board, the retirant is found to be totally disabled.

Non-service connected disability retirement is available after 10 years of service when certified by the Medical Board. The allowance is 25 percent of salary for life plus one percent for each year of service over 15.

11. Death and Survivorship Benefits

If a member dies before retirement, his beneficiary receives a refund of contributions, plus interest, plus six months to one year's salary depending upon length of service. After one year of service, the amount shall not be less than the last twelve months' salary.

12. Regularly Planned Cost of Living Adjustment after Retirement

Yes. After retirement, the initial retirement allowance is automatically increased 1½ percent on July 1 each year.

13. Strengths of the System

A. Supplemental Social Security.

B. Investment in equities.

C. Teacher participation retirement fund investment.

D. Vesting after five years.

E. After retirement the initial retirement allowance is automatically increased by 1½% on July 1 each year.

14. Recommendations for Improvement of the System

A. Retirement fund investment returns of at least 9% of new money.

B. Opportunity to purchase fifteen years of out-of-state service.

C. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

D. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.

E. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

F. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years of service would be 2½% per year to a maximum of 80% of final year's salary.

G. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.

H. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

I. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

J. A lump sum death burial benefit of $1500.

K. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

IDAHO
Public Employee Retirement System of Idaho

1. Administrative Structure

The system is administered by a retirement board of five members, appointed by the governor, as follows: (a) two members appointed from the active members of the retirement system who have not less than ten years of creditable service; and, (b) three members appointed from among Idaho citizens who are not members of the system. Terms are five years, except that initial appointees serve staggered terms.

The retirement board appoints an executive secretary to serve at its pleasure, is authorized to create whatever staff it deems necessary to the sound and economical operation of the system, and to arrange for such actuarial, legal, and medical services as are necessary. Employees of the retirement board are selected from a list of eligibles certified by the Idaho Personnel Commission.

2. Financing

A. Member
Members contribute three percent of the first $400 of monthly salary, plus six percent of the remainder.

B. Employer
Employers contribute 7.5 percent of the total salaries of eligible employees. This includes 2.2 percent of the contributions of both members and employers for administrative costs.

C. Interest is credited to members' accounts each month on the balance of the previous month; current interest rate is 4.5 percent.

Benefits are financed jointly by member contributions and employer contributions.

3. Investments

Funds not required for benefits or administration are invested by a bank, the system's funding agent. The funding agent is governed by a statutory prudent man rule. The retirement board, in its sole discretion, may designate the types, kinds, and amounts of such investments.

As of December 31, 1968 (updated figures) the total investments, exclusive of cash, were $35,404,940; cash on hand was $273,734.

4. Social Security Coverage

Social Security was adopted December 31, 1957, retroactive to January 1, 1956, for public school employees.

The employer's share of the Social Security tax is paid from proceeds of the 3 percent state sales tax. Social Security benefits paid by the retirement system.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1968, a total of 2,498 retired members from school state and political subdivision employment were receiving benefits. The median annual retirement allowance was approximately $1,200.

7. Creditable Service

A. Military service credit is granted for service in the Armed Forces of the United States if a member enters such military service within 90 days after termination of service as an employee, and becomes again an employee within 90 days after discharge or after release from active duty of the military component of which he may be a member. Military service does not include any period ended by dishonorable discharge, nor any period following which option of termination of service is granted but not accepted.

B. Supplemental service credit is granted to persons who were active members of the Teacher's Retirement System during the two-year period, July 1, 1965, to July 1, 1967, in return for which the Public Employee Retirement System retains the contributions and interest credited to such members during the period. These two years are "lost" to public-school employees who were not members of the Teacher's Retirement System on July 1, 1967.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state teaching service is not creditable.

B. Vesting and Deferred Allowance
Benefits vest after ten years of contributing service and a deferred benefit is payable at age 55. The benefit is the actuarial equivalent of the normal retirement allowance. Vested retirement or early retirement may be deferred until age 65.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65 after five years of creditable service, including six months of contributing membership service. Members can retire without application of early retirement reduction factor after completing 35 years of service.

B. Early Retirement benefits are available at age 55 after five years of creditable service, including six months of contributing membership service.

C. Disability Retirement benefits are available at any age after ten years of creditable service, including six months of contributing membership service, and upon submission to the retirement board of proper medical proof that the member is totally and permanently disabled.

D. Compulsory Retirement at age 70 is provided by the retirement law. Retirement at age 65 may be postponed upon request of the employer, and upon the employer's certification that such postponement is in the public interest. Postponement may be allowed on an annual basis, but not beyond the July 1 next following attainment of age 70.

10. Requirements Benefit Formulae

A. Normal Retirement
The annual benefit for prior service (service prior to July 1, 1965) is 1 percent of $4,800 and 2 percent on excess of $4,800 based upon annual salary at time of entry into the system by the employment unit.

Minimum Benefit. Each service retired member receives a minimum benefit of $4 monthly allowance for each year of creditable service.

The annual benefit for membership (contributing) service after July 1, 1967, is one-third of total contributions made from salary, without interest.

B. Early Retirement
The benefit is the actuarial equivalent of the normal allowance.

C. Disability Retirement
Benefits become payable six months after eligibility or upon termination of temporary disability benefits, in an amount which the disabled member would receive as a service retirement benefit were his service to continue to age 65, less any amount payable under any workmen's compensation law because of the same disability.

11. Death and Survivorship Benefits

Upon death of a member prior to retirement, his accumulated contributions and interest are payable to his designated beneficiary. If no beneficiary has been designated, payment will be made to next of kin pursuant to statute. The retirement board may withhold payment until beneficiaries attain majority, or until a legal guardian has been appointed. Alternately, surviving spouse of member 55 or older with ten years of credited service may elect lifetime monthly allowance in lieu of refund of contribution and interest.

If the deceased was a member of the Teacher's Retirement System on June 30, 1967, and was an employee at time of death, an amount from public contributions also would become payable, equal to 50 percent of his average salary for retirement purposes.

12. Regularly Planned Cost of Living Adjustment after Retirement

All retired members receive cost of living adjustments limited to three percent a year from date of retirement through 1968. Retirement Board is authorized to provide future adjustments contingent on sufficient assets to finance the cost.

13. Strengths of the System

A. Supplemental Social Security.

B. Could invest in common and preferred stocks.

C. Voluntary contribution permitted to supplement retirement allowance provided by benefit formula.

14. Recommendations for Improvement of the System

A. Retirement fund investment returns of at least 9% of new money.
B. Vesting after 5 years at age 55.
C. Opportunity to purchase 15 years of out-of-state service.
D. Classroom teacher participation in fund investing.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

ILLINOIS
Teachers' Retirement System of the State of Illinois

1. Administrative Structure

The system is administered by a board of trustees consisting of five members: the state superintendent of public instruction, two members elected by teacher-members, and two members appointed by the governor of the state. Each serves four years.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute seven percent on total salary, six percent for the retirement program and one percent for the survivor insurance program. There is no provision for voluntary supplemental contributions.
B. Employer
The public share is financed by state appropriations and by a 9½ percent employer contribution based on all salaries paid directly or indirectly from trust or federal funds. The state appropriations for 1967–1969 were $3,225,000 from the General Revenue Fund for payment of supplemental benefits to retired teachers during the current biennium, and $83,000,000 from the Common School Fund.
C. Interest is credited on members' contributions at the rate of three percent compounded annually, as required by the retirement laws.

3. Investments

Funds may be invested in government securities, real estate, FHA, corporates, and common and preferred stock to a maximum of 20 percent of portfolio. Investments are made by the board and competent trust counsel.

As of June 30, 1967, total investments, exclusive of cash were $395,243,933; cash on hand was $50,544.

4. Social Security Coverage

None.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 15,992 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $2,250. During the last retirement year, 1,461 members retired. For this group, the median annual retirement allowance was $3,261.

7. Creditable Service

Military Service before June 30, 1963, is fully creditable. Subsequent military service is creditable to a maximum of five years.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state service is creditable to a maximum of ten years. The credit is granted at a ratio of two years outside the state for each three years in Illinois, and the last five years of service must be completed in Illinois.
B. Vesting and Deferred Allowance
Benefits vest after ten years of service if one year after July 1, 1963, and three years after July 1, following attainment of age 55. The benefit formula for a deferred allowance payable at age 60 is 1-2/3 percent times years of service times the average salary for the highest five consecutive years within the last ten, provided the member has 20 or more years of service. For members with less than 20 years' service, the benefit is on a money-purchase basis.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with 20 years of service. No credit is granted for service after age 70 is reached.
B. Early Retirement is provided at age 55 with 20 years of service.
C. Disability Retirement is provided at any age under 65, provided the member is not eligible for a normal retirement allowance. Permanent disability benefits are available to members with at least ten years of credited service. A temporary disability benefit is payable to a member with five years or more of creditable state service who is temporarily mentally or physically incapacitated to perform the duties of a teacher.

D. Compulsory Retirement is not required. No credit is granted beyond the year in which age 70 is attained.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is 1½ percent times years of service times the average salary for the highest five consecutive years out of the last 10, plus $150, or 1-2/3 percent times years of service times the average salary, whichever is greater. The maximum benefit is $1,000 per month or $12,000 per year at age 55 or thereafter.

B. Early Retirement
Under the normal retirement formula, with a six percent reduction for each year under age 60.

C. Disability Retirement
The benefit is calculated under either of two formulae: (a) if disability occurs after age 55, a money-purchase plan based on the member's contributions, matched by the state; (b) if disability occurs before age 55, a percentage formula of 35 percent of current salary. A member retired on permanent disability may engage in gainful employment outside teaching, and may earn income equal to but not in excess of the difference between his disability benefit and his final regular salary; if his earnings exceed this limit, the disability benefit is reduced accordingly.

The allowance is 40 percent of the member's salary at the time the disability occurred, and is payable until one of the following events occurs: the disability ceases; age 65 is reached; the aggregate period for which the temporary disability payments made to the member during his entire period of service become equal to one-fourth of the total period of his creditable service, excluding the period during which he received temporary disability benefits; or the member is gainfully employed.

11. Death and Survivorship Benefits

Lump sum death benefits of 1/6 of the current salary rate at time of death, times the number of completed years of service, up to but not to exceed the annual salary rate, plus accumulated contributions are payable to the beneficiary of members who die in active service.

Dependent beneficiaries receive survivor benefits of $1,000 plus monthly benefits equal to a percentage of average salary for each dependent beneficiary. The widow's maximum benefit is $200 per month; and the maximum family benefit, $275 per month.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Investment in common and preferred stocks.
B. Teachers participate in fund investment.
C. Survivorship program before retirement.

14. Recommendations for Improvement of the System

A. Establish Social Security on a supplemental basis.
B. Investment of retirement funds returns of at least 9% of new money.
C. Vesting after five years at age 55.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

INDIANA
Indiana State Teachers' Retirement Fund

1. Administrative Structure

The system is administered by a board consisting of five members appointed by the governor, at least two of whom must be teachers. The members serve for four years.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute three percent of salary to a maximum of $8,500. Members may contribute additional amounts to provide a supplemental annuity.

B. Employer
The state appropriates a normal contribution for membership service and an accrued liability contribution sufficient to amortize the accrued liability with 50 years. The state appropriation for the 1965–66 fiscal year was $13,500,000.

C. Interest is credited on members' contributions at the rate of three percent. The rate is set by law and not the retirement board.

3. Investments

Funds may be invested in U. S. Government securities, FHA and VA mortgages, state and municipal bonds, preferred and

common stocks, corporate bonds (industrial and public utility), mutual funds, and real estate. Investments in each of the categories, with the exception of the governments, and preferred and common stocks are limited to ten percent of the total portfolio. There is no limitation on U. S. Government securities. The Fund is permitted a 20 percent investment in preferred stock and a 20 percent investment in common stock. The fund retains investment counsel and the representatives of the investment counseling firm work with the executive secretary and a three-member Investment Committee which has been appointed by the Board of Trustees from its membership.

As of June 30, 1965, total investments, exclusive of cash, were $126,871,033; cash on hand was $4,303.

4. Social Security Coverage

Social Security was provided in 1955, and coverage was made retroactive to January 1, 1955. Employers' Social Security contributions for teachers are paid by the state. Social Security is on a co-ordinated basis and is designed to provide retirement benefits equal to one-half to two-thirds of the average annual salary of the last ten years of service.

5. Tax-Sheltered Annuities

There are a number of school corporations in the state that provide tax-sheltered annuities on a local basis for teachers.

6. Number of Retirees and Benefits Paid

As of June 30, 1965, a total of 10,019 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $1,950. During the last retirement year, 1030 members retired. For this group, the median annual retirement allowance was $2,223.12.

7. Creditable Service

A. All military service
All military service rendered during a period of hostilities is creditable. All other military service is subject to the one-seventh rule.

B. Leave of Absence
A teacher may be granted a leave of absence for study, professional improvement, or temporary disability for not more than one-seventh of the years of service claimed for retirement.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state service is creditable to a maximum of eight years for teaching in public schools or state teachers colleges. More than eight years' out-of-state service may be credited if the ratio of one year out-of-state service for each three years of Indiana service will equal more than eight years; ten years of actual teaching in Indiana is required before out-of-state teaching credit may be claimed.

B. Vesting and Deferred Allowance
Benefits vest at age 50 with 15 years of service or at age 65 with 10 years of service. The benefit formula is the same as for early retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65 with 10 years of service. A teacher may receive service credit for 45 years or until age 70, whichever is later.

B. Early Retirement is available to those under 65, with 15 years of service.

C. Disability Retirement is available to any member with seven years of Indiana service in active teaching. The disability must cover a period of more than six continuous months.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 65, except that a teacher may render service beyond age 65 if he can pass a physical examination and if the individual school unit is willing to employ him.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula for normal retirement is 0.6 percent of the first $3,000 plus 1.1 percent of the excess of average salary of the best five years of any years of teaching service or the average since April 1, 1959, times years of service, plus the member's total contributions and interest times a factor determined by age at entrance to teaching and years of service; plus 1.5 percent of the excess of average salary times the actual service credit for service in excess of 40 years earned prior to the end of the term during which the teacher becomes age 66.

B. Early Retirement
The normal benefit is reduced 1/10 of 1 percent for each month of early retirement between ages 60 and 65, and 5/10 of 1 percent for each month of early retirement between the ages of 50 and 60.

C. Disability Retirement
The disability benefit is $100 per month plus $1 per month for each year of service above seven years.

11. Death and Survivorship Benefits

A lump sum payment of contributions and interest is made to beneficiaries or the estate of members who die in active service with less than 15 years of service.

The spouse, if married three or more years, who is the designated beneficiary of a member who dies in active service with 15 years of service, may elect a lump sum settlement of contributions and interest or a monthly benefit for life. The same benefit is available to the spouse, if married three or more years, if no beneficiary designation is on file at the the time of the member's death. A designated beneficiary not the spouse receives the lump sum payment. If no beneficiary is designated by an unmarried member, the lump sum is payable to the estate.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Investments in common and preferred stocks.

B. Teachers may participate in fund investing.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental basis.

B. Retirement fund investment return of at least 9% of new money.

C. Vesting after five years at age 55.

D. Opportunity to purchase fifteen years of out-of-state service.

E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would

continue until the age of 18 years or until the age of 23 if the individual is attending school.

G. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.

I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.

J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

L. A lump sum death burial benefit of $1500.

M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

IOWA
Iowa Public Employees Retirement System

1. Administrative Structure

The system is administered by the Iowa Employment Security Commission, consisting of three members appointed by the governor and confirmed by the senate. One member represents labor; one, industry; and the third, the public. The term of office is six years. Each member of the commission is paid $2,500 a year as honorarium in addition to his salary as commissioner. Adminstrative costs are paid out of the retirement fund.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute 3½ percent on the first $4,800 earned until December 31, 1967; and on $7,000 beginning January 1, 1968. There is no provision for additional voluntary contributions to provide supplemental benefits.

B. Employer

The employer's matching contributions are made by the political entity employing the member, such as the school district, the city, county, or state agency.

C. Interest is credited on the members' and employers' contributions at the rate of two percent per year, plus an interest dividend to cover the total interest earnings of the fund in excess of two percent less .0025 percent for a contingency reserve fund.

3. Investments

Investments are made by the state treasurer upon authorization by the retirement administrators after consultation with the Advisory Investment Board. The investment board is composed of five members. Three members are appointed by the governor; one must be an executive of a life insurance company, one an executive of a bank, and one an executive of a major industrial corporation in the state. There are two ex officio members, one appointed by the President of the Senate from the membership of the Senate; the other is a member of the House of Representatives appointed by the speaker. The three appointed members serve six-year terms and receive $25 a day for not more than 40 days a year as honorarium in addition to expenses. The board function is advisory only.

Funds may be invested in U. S. bonds, state and municipal bonds, and other investments authorized for investments of insurance companies in the state including bonds of industrial corporations, public utilities, and railroad trust certificates and mortgages. Effective July 1, 1967, investments may be made in common stocks to a maximum of 10 percent of the total value of the fund, provided no more than 25 percent of each year's income is invested in common stock.

As of June 30, 1967, total investments, exclusive of cash, were $240,306,538; cash on hand was $123,443.77.

4. Social Security Coverage

Social Security coverage was adopted in July 1953, retroactive to January 1, 1951. The coverage is state-wide and covers all employees of the state of Iowa and its political subdivisions, including school districts. Each political entity pays the employer's share of the Social Security tax. Social Security benefits are in addition to the retirement allowances.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, there was a total of 13,608 retirants and survivor beneficiaries receiving benefits. The median annual retirement allowance was $732. Payments ranged from $180 to $2,340 per year, depending on the member's length of coverage under the system. During the last retirement year, 1,480 members retired.

7. Creditable Service

Military service is creditable under designated circumstances.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state teaching services are not creditable.

B. Vesting and Deferred Allowance

Benefits vest at any age with at least eight years of service after July 1953, or at age 55 regardless of years of service. A deferred allowance is available starting with age 55. Members who terminate service before age 55 are entitled to a deferred benefit which is a money-purchase annuity based on the member's contributions plus interest.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65 with no service requirement. A member continues to contribute to age 70.

B. Early Retirement is provided at age 55 with no service requirement.

C. Disability Retirement
There is no provision for disability retirement.

D. Compulsory Retirement at age 70 is required by the retirement law, but the member may continue in employment beyond age 70 with the approval of his employer on a year-to-year basis.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is 1¼ percent of the member's average annual salary for all years after July 1953 times years of service.

B. Early Retirement
The benefit formula is the same as for normal retirement except that if the member retires between the ages of 55 and 65, the allowance is actuarially reduced.

C. Disability Retirement
There is no provision for disability retirement.

11. Death and Survivorship Benefits

If a member dies while in active service, the death benefit is a refund of the member's contributions plus the employer's matching contributions plus interest, payable to his beneficiary or to his estate.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Social Security on a supplemental basis.
B. Investments in common stocks.
C. With approval a member of the retirement system may continue on a year to year basis after age 70.

14. Recommendations for Improvement of the System

A. Teacher participation in retirement fund investment.
B. Retirement fund investment returns of at least 9% of new money.
C. Vesting after five years at age 55.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
G. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

KANSAS
Kansas School Retirement System

1. Administrative Structure

The system is administered by a retirement board consisting of a member of the State Board of Education and the state commissioner of education as ex officio members, one school employee and three others appointed by the governor (no more than two from the same political party) for four-year terms.

Administrative and operating expenses are paid out of earnings on investments of the Employees Savings Trust Fund.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute four percent of the first $5,000 of salary, to a maximum of $200 per school year. There is no provision for voluntary or supplementary contributions.

B. Employer
All public financing is by the state and is in the form of payments for earned annuities after retirement. There are no contributions to the system by the employer. State financing is by annual appropriation. The 1969 appropriation was $5,732,994.

C. Interest on members' accumulated contributions is credited annually, at a rate fixed at the discretion of the retirement board. The current rate is four percent.

3. Investments

Investments of members' contributions are limited by law to assets that legal reserve life insurance companies in Kansas may invest in, except that only 25 percent of the retirement fund may be invested in common stocks. The retirement board is required to employ or retain qualified investment counsel or may negotiate with a trust company to assist and advise it in making investments. On June 30, 1969, investments, exclusive of cash, totaled $61,000,000; cash on hand was $634,775.

4. Social Security Coverage

Social Security was adopted January 1, 1955. All school employees are covered. School districts, the state, and counties pay the employer's share of Social Security for

their respective employees. Social Security benefits are fully supplemental to the retirement allowance.

5. Tax-Sheltered Annuities
Not available from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1969, a total of 5,990 retirants and survivor beneficiaries were receiving benefits. The median retirement allowance was $960. During the last retirement year, 716 members retired.

7. Creditable Service
Military service is creditable to a maximum of seven years.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Out-of-state service is not creditable. A maximum of ten years of out-of-state service may be counted toward meeting the 25-year benefit schedule, provided the last five years of school service prior to retirement is in Kansas.
B. Vesting and Deferred Allowance
Benefits vest after ten years of service. The benefit formula for deferred retirants at age 60 is the same as for early retirement.

9. Requirements for the Right to Retire
A. Normal Retirement is at age 65. Members who entered school service after September 1, 1965, must have at least 10 years of service to be eligible for retirement benefits. Contributions continue as long as the member continues in active service under age 70.
B. Early Retirement is provided at age 60. Ten years of service is required for members who become school employees after September 1, 1965.
C. Disability Retirement
A disability retirement allowance is available at any age with fifteen years or more of creditable service.
D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae
A. Normal Retirement
The benefit is an annuity based on the member's accumulated contributions, plus interest, plus a service annuity from the state, based on the following formula: 1 to 9½ years of school service, $1 per month for each year; 10 to 19½ years of school service, $1.50 per month for each year; 20 to 24½ years of school service, $2 per month for each year; 25 or more years of school employment, $3.50 per month for each year of school service, not exceeding 35 years of school service in Kansas.
B. Early Retirement
The normal allowance is actuarially reduced.
C. The disability allowance for those under age 60 is at the age 60 rate; for those from age 60–64 it is the same as for early retirement.

11. Death and Survivorship Benefits
If a member dies in active service, the total amount of his accumulated contributions is paid in a lump sum to the named beneficiary. There are no automatic survivor benefits. Joint and survivor benefits may be established at the time of retirement.

12. Regularly Planned Cost of Living Adjustment after Retirement
None.

13. Strengths of the System
A. Supplemental Social Security.
B. Investment in common stocks.
C. Teachers could participate in retirement fund investing.
D. Current funding.

14. Recommendations for Improvement of the System
A. At least 9% returns on retirement fund investments.
B. Vesting after five years at age 55.
C. Opportunity to purchase fifteen years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
F. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

KENTUCKY
Teachers' Retirement System of the State of Kentucky

1. Administrative Structure

The seven-member board of trustees is composed of the state treasurer, the attorney general, and the superintendent of public instruction, all ex officio, and four members elected for four-year terms by the membership. Three of these four must be members of the system, and one must be a classroom teacher; the fourth elected must be a layman. Ex officio members serve four-year terms and are not eligible to succeed themselves. A chairman and vice-chairman are elected annually by the board members.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute seven percent of gross salary, which includes the one-half of one percent to finance the death, survivors', and medical benefits programs. There are provisions for additional voluntary contributions at the rate of two percent or more of salary, but no contribution of less then $20 per month is accepted.

B. The state matches the seven percent contribution of the member on a current basis by appropriation, and in addition contributes an annual amount, sufficient to underwrite the unfunded liability in 25 years.

The state's contribution is credited to the employees at time of retirement. The biennial appropriation for 1966–1968 totaled $27,255,630. It consists of $26,826,630 in matching contributions, and $429,000 for administrative expenses.

C. Interest on member's normal accumulated contributions is credited and compounded annually. The rate of interest on the member's voluntary contributions varies, but cannot be less than three percent nor more than the yield on the investment portfolio in the previous year. The current rate is 4.25 percent. The rate is set annually by the trustees. Interest rate on the mandatory contribution is set by statute at three percent.

3. Investments

Investment may be made in the categories and with the portfolio limits as follows: securities of U. S. Government and obligations of its agencies in unlimited amounts; corporate bonds, rated A or better by one major rating service, limited to 60 percent; common and preferred stocks, up to ten percent; real estate investments, up to six percent; school building revenue bonds, limited to Kentucky school districts and to 25 percent of the portfolio; public utility revenue bonds of Kentucky municipalities and counties, up to 25 percent; industrial revenue bonds issued by Kentucky municipalities, up to six percent; and obligations of the Commonwealth of Kentucky and its agencies, limited to 25 percent of the portfolio.

Investment authority is vested in the board of trustees. The board designates an investment committee consisting of the executive secretary and two board members to make investments, subject to later approval by the full board.

As of June 30, 1967, total investments, exclusive of cash, were $173,433,946; cash on hand was $621,000.

4. Social Security Coverage

Social Security coverage was extended in 1956, only to teachers in five state colleges.

5. Tax-Sheltered Annuities

Tax-sheltered annuities are available to members from the system. Accounts of participating members are segregated. Interest is credited currently at the rate of 4.25 percent.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 4,329 persons, 4,070 retirants and 259 survivor beneficiaries, were receiving benefits. The average annual retirement allowance was $1,880. During the retirement year ending June 30, 1967, a total of 595 persons retired, 563 for service and 32 for disability. The average annual retirement allowance for this group was $2,667.

7. Creditable Service

Military service is creditable under designated circumstances. A maximum of four years of prior-service credit may be received for service in World War I, without cost. For military service after 1940, credit is provided upon payment by the member of contributions and interest. Credit is limited to the number of years of required military service.

8. Mobile Teacher

A. Purchase of Out-of-State Service

A member may receive a maximum of sixteen years of out-of-state service credit. Of this limit, up to eight years' credit is allowed for out-of-state service rendered after 1940, provided the member pays for it. Service on which benefits are, or will be, received from another system cannot be transferred.

B. Vesting and Deferred Allowance

Benefits vest after ten years of Kentucky service, five of which must be after July 1, 1941, with at least one year after July 1, 1959. The deferred allowance is payable at age 60. It is calculated under the normal retirement benefit formula.

9. Requirements for the Right to Retire

A. Normal Retirement is at any age after 30 years of service. Members contribute for as long as they remain in service.

B. Early Retirement is provided at any age with 30 years of service. A member with 30 years of service who leaves the system has the right to continue making the normal contributions until age 65.

C. Disability Retirement is available at any age to members with ten years of Kentucky service, one of which immediately precedes retirement.

D. Compulsory Retirement

The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is two percent of the average annual salary for all years after July 1, 1941, plus $40 for each year of prior service. Average annual salary is the average of the salaries for the highest five years. The total allowance for members retiring before age 60 is reduced five percent per year. The maximum annual allowance to any member is three-quarters of average annual salary, and the minimum of $45 for each year of credited service.

B. Early Retirement
The benefit is calculated under the normal retirement formula.

C. Disability Retirement
The disability allowance is one-half of the last retirement compensation.

11. Death and Survivorship Benefits

A $1,000 death benefit is payable to the estate of both active and retired members. In the event of the death of an active member, his accumulated contributions are refunded. In lieu of the refund, survivor benefits are available.

The survivor benefit for the widow or dependent widower is $100 per month; for one child, $100; for two children, $160; for three children, $185; for four or more children, $195; and for an incompetent adult, $125 per month. The widow, dependent minor children, and incompetent adult are eligible for the benefits at the same time, the maximum total allowance being $420 per month.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Investment in common and preferred stocks to 25%.
B. Teacher participation in retirement fund investing.
C. Current funding.
D. Total maximum survivorship benefits of $420 per month.

14. Recommendations for Improvement of the System

A. Establish supplemental Social Security.
B. Returns of at least 9% on retirement fund investments.
C. Vesting after five years at age 55.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

LOUISIANA
Teachers' Retirement System of Louisiana

1. Administrative Structure

The system is administered by a board of trustees consisting of the state treasurer, the secretary of state, the state superintendent of education, and the executive secretary of the Louisiana Teachers' Association as ex officio members and five elected teacher-members who serve three-year terms. One of these five members must be a superintendent, one a principal, and three must be a classroom teachers. The president of the retired teachers association is also a member of the board.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Membership is divided into two groups for the purpose of members' contributions. Plan A includes all members earning less than $7,500 per annum, and those members who earn more but have elected to base their contributions on earnable compensation not in excess of $7,500. The contribution rate for Plan A members is seven percent. Plan B members contribute at the rate of seven percent of earnable compensation to a maximum of $16,000. New members joining the system on or after August 1, 1962, are automatically enrolled in Plan B. Other Plan B members are those who joined the system prior to August 1, 1962, but who elected to contribute on total salary up to the allowable maximum of $16,000.

B. Employer
The employers' contributions vary and are determined by annual actuarial valuations of the assets and liabilities of the system. For the 1967–68 year, the employers' contribution rate was 9.96 percent of members' salary not in excess of $7,500 per annum and amounts to approximately $25,000,000 plus ½ of 1 percent of all

taxes collectible by the sheriffs and ex officio tax collectors, yielding $1,003,575. The state reimburses the school districts for the employers' contributions to the retirement system.

C. Interest is credited on the members' accumulated contributions at the rate of four percent per annum. The rate is set by the retirement board and may not exceed four percent. As of July 1, 1969 it will be five percent.

3. Investments

Investments may be made in U. S. Treasury bonds, municipal bonds, corporate bonds, and common and preferred stock, in stock of savings and loan associations, and in any other securities in which domestic insurance companies may invest funds including industrial investments.

As of June 30, 1967, total investments, exclusive of cash were $419,292,958; cash on hand was $4,999,476.

4. Social Security Coverage

None.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 4,833 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $3,311. During the last retirement year, 940 members retired. For this group, the median annual retirement allowance was $4,560.

7. Creditable Service

A. Military service is creditable up to four years, and credit in excess of this limit is granted for involuntary military service while on leave from a teaching position. The cost to the member and the employer is based on the salary the member would have received in teaching service.

B. Leave of Absence: A legal leave of absence not in excess of one year is creditable. The member must make his share of the contribution on the salary he would have earned in teaching during the leave period.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Teaching in overseas dependents schools and out-of-state service are not creditable.

B. Vesting and Deferred Allowance
Benefits vest at any age with 20 years of service credit, or at any age with at least ten years of service, if the member transfers his service to the public schools of another state, provided the contributions are not withdrawn. A deferred allowance is payable at age 60, and is calculated as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with fifteen years of service or at age 55 with 30 years of service. A member may choose to cease contributing after acquiring 37½ years of accredited service or after attaining 65.

B. Early Retirement
There is no provision for early retirement other than age 55 with 30 years of service, at which time the normal retirement benefit is payable.

C. Disability Retirement for total and permanent disability is provided at any age with five years of service credit.

D. Compulsory Retirement
The retirement law requires compulsory retirement on July 1 following the member's 68th birthday, but an employer may require retirement on July 1 following his 65th birthday.

10. Requirement Benefit Formulae

A. Normal Requirement
The benefit formula is two percent of the average salary of the best five consecutive years to a maximum of $7,500 per annum for members under Plan A, and a maximum of $16,000 for members under Plan B, times years of credited service. If the computed benefit is less than $2,400 per year, there is added $150 or as much thereof as will provide an allowance not to exceed $2,400.

B. Early Retirement
There is no provision for early retirement other than age 55 with 30 years of service, at which time the normal retirement benefit is payable.

C. Disability Retirement
The disability allowance usually amounts to approximately 75 percent of the normal allowance the member would have received had he continued in service to age 60 with no further change in salary.

11. Death and Survivorship Benefits

Upon his death in active service, a member's accumulated contributions are refunded to his designated beneficiary or to his estate. Instead of this refund, there is available a choice of the following survivor benefits:

1. Option 2 benefits for the surviving spouse of a member who dies in service, or within 30 days after retirement, who at time of death is eligible for service retirement, provided the deceased member and the surviving spouse had been married at least ten years.
2. A monthly benefit for surviving children, unmarried and under age 18, of a member with five or more years of credit, two of which were earned immediately preceding death. The two-year service requirement prior to death is waived for a member with 20 or more years of service. A widow or dependent widower with the care of one or more such children is paid $150 per month. The benefit to the surviving spouse ceases on remarriage, but the children's benefits continue at $100 per month for one child and $150 per month for two or more children until age 18 is reached.
3. A monthly benefit of $100 for a surviving widow or dependent widower of a member who dies in service after acquiring 15 years of credit. If the deceased member had 20 or more years of service, the benefit is payable whether or not he was in service at the time of death. The benefit begins when the surviving widow or dependent widower attains age 60, or is payable at the time of the member's death if the eligible survivor is then over age 60.

12. Regularly Planned Cost of Living Adjustment after Retirement

Cost of living adjustment raised from one percent of original benefit for each full year of retirement to two percent for each year. Minimum of $35 per month for all those retired more than 10 years.

13. Strengths of the System

A. May invest in common and preferred stocks.

B. Teachers may participate in retirement funding investing.

C. Total disability retirement at any age after five years of service. Could amount to 75 percent of normal retirement allowance.

14. Recommendations for Improvement of the System

A. Establish Social Security on a supplemental basis.
B. Returns of at least 9% on retirement fund investments.
C. Vesting after five years of service at age 55.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

MAINE
Maine State Retirement System

1. Administrative Structure

The system is administered by a Board of Trustees comprised of seven members, three of whom are appointed by the governor, one representing municipalities, one representing teachers, one representing state employees, and one representing retired persons. Members serve two-year terms.

2. Financing

A. Member
Benefits are financed jointly by members' contributions and public revenue. Members contribute five percent of salary, including maintenance, if any.
B. The employer pays an amount sufficient with members' contributions to pay the cost of the retirement allowances and the administrative costs.
C. Interest
None.

3. Investments

Investments are made by a bank fiduciary under the "prudent man" theory.

As of June 30, 1967, total investments, exclusive of cash, were $120,564,775.29; cash on hand was $112,736.59.

4. Social Security Coverage

None.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, the total number of retirants and survivor beneficiaries was 6,191. The median annual retirement allowance was $461.90. During the last retirement year, 555 members retired. The median annual retirement allowance for this group was $308.83.

7. Creditable Service

Military service is creditable at no cost to the member who enters the service from his position and returns to his position within 90 days after his military discharge. Other military service is creditable up to four years by the payment of the normal contribution for each year of military service at the rate of five percent on the first year of earnings in a covered position.

8. Mobile Teacher

A. Out-of-state service and teaching service in overseas dependents schools are creditable.
B. Vesting and Deferred Allowance
Benefits vest at any age with ten years of service, and a deferred benefit is payable at age 60. The benefit formula is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 regardless of number of years of service, or at any age with 30 years of service. Contributions continue as long as the member remains in active service.
B. Early Retirement
None.
C. Disability Retirement is available at any age after ten years of service.
D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is the average of the five highest years of service, divided by 70, times the number of years of creditable service. As of January 1, 1970 the 1/70 changed to 1/60.
B. Early Retirement
None.
C. Disability Retirement
The formula is the same as for normal retirement except that there is a minimum guarantee of 25 percent of the average highest salary. Service incurred disability is available at any age, regardless of years of service. The allowance is 66-2/3 percent of average highest salary.

11. **Death and Survivorship Benefits**
Members are protected under survivor benefits upon completion of eighteen months of creditable service (no minimum number of years or months is required if the death occurs through a service-incurred accident) which provides payments of $100 to $300 a month to survivors.

The state provides coverage by group life insurance up to double the annual salary at a cost of fifteen cents per week per $1,000. Double indemnity protection under accidental death, and protection under dismemberment clauses is provided. Coverage continues after retirement and the employer pays the premium. The amount of coverage after retirement is on a reducing basis to a minimum of 25 percent of the amount held at retirement.

12. **Regularly Planned Cost of Living Adjustment after Retirement**
Cost of living increases are granted at the same percentage received by active employees in general salary adjustments. As of January 1, 1970 retirement allowances of retirants were recomputed with a three year final average salary instead of five years.

13. **Strengths of the System**
A. Teachers could participate in retirement fund investing.

14. **Recommendations for Improvement of the System**
A. Establish Social Security on a supplemental basis.
B. Returns of at least 9% on retirement fund investments.
C. Vesting after five years at age 55.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law but a local board of education may require retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

MARYLAND
Teachers' Retirement System of the State of Maryland

1. **Administrative Structure**
The system is administered by a board of trustees consisting of five members as follows: the state superintendent of schools, the state comptroller, and the state treasurer, all ex officio, and two teacher-members elected by the members for a term of four years.

2. **Financing**
A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute a percent of salary based upon sex and age at the time of entry. For example, for entry at age 25, men contribute 5.60 percent, and women, 4.85 percent; at age 40, men, 6.10 percent, and women, 6.30 percent.

A member may add to his contributions by a lump sum payment or by contributing at an increased percentage rate, provided the additional contributions do not increase his total allowance to more than two thirds of his average final compensation. These additional contributions are not matched by public funds.

B. Employer
All public financing is by the state and is an amount equal to a certain percentage of the earnable compensation of each member. The rate and amount for the year ending June 30, 1968, are 4.95 percent and $15,201,416. The accrued liability for prior-service credit has been liquidated and only normal contributions are now made by the state. Lump sum death benefits are paid from the state's conrtibutions. Upon retirement of a member, the amount equal to his pension reserve is transferred from the Pension Accumulation Fund to the Pension Reserve Fund.

C. Interest at four percent is credited to the number's account annually on June 30. The interest rate is set by law for members enrolled before July 1, 1955. The Board determines the rate for those enrolled after July 1, 1955 within statutory limitations.

3. **Investments**
Investments are subject to all the terms, conditions, limitations, and restrictions imposed by the law upon life insurance company investments, except that the board of trustees may invest 25 percent of funds in common stocks. The board of trustees has full power to invest within these limits and is advised on investments by an Advisory Investment Committee appointed by the Board of Public Works. The Division of Investments within the Retirement System office is headed by a full-time Investment Administrator who administers the investment policy of the board. The policy of the board is to hold all bonds to maturity and common stocks for long-term growth; to invest in "AA" or better rated corporates, including public utilities and industrial corporations, as rated by Moody, and Standard and Poor's rating services; to limit the dollar amount invested in each bond issue to $1 million and to limit the dollar amount invested in any one company to

$3 million, excluding issues of the U. S. Treasury and of the American Telephone and Telegraph Company System, subject to revision as assets increase; to invest in common stock not to exceed one percent in any one stock of any one company, and the total investment in stocks not to exceed 25 percent of the total assets of the system; to invest in mortgages; and to invest in special situations as directed by the board. As of June 30, 1967, total investments, exclusive of cash, were $277,875,412; cash on hand was $3,379,742.

4. Social Security Coverage

Social Security was adopted, effective July 1, 1956. All system members are covered. The state pays the employer's share of Social Security. Social Security benefits are fully supplemental to the retirement allowance.

5. Tax-Sheltered Annuities

Beginning with July 1, 1965, tax-sheltered annuities are available to members. Interest at the rate of four percent will be credited annually to these voluntary contributions. Investment earnings in excess of four percent will be used to cover the cost of administration of the TSA program.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 1,995 retirants and survivor beneficiaries were receiving benefits. The average annual retirement allowance was $2,634. During the last retirement year, 304 members retired. The average annual retirement allowance of this group was $3,065.

7. Creditable Service

A. Military service is creditable to a maximum of five years for members who were teachers when they entered military service, and who again became teachers upon separation from military service. It is provided at no cost to the member.

B. Leave of Absence
Teachers on leave of absence for personal illness, study, maternity, or for service sponsored or subsidized by the federal government, including teaching in overseas dependents schools, receive credit for the period of absence provided contributions are made.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state service is not creditable except as it may have been included in creditable prior service.

B. Vesting and Deferred Allowance
Benefits vest after 20 years of service. The benefit formula for deferred retirants at age 60 is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 regardless of years of service, or at any age with 30 years of service.

B. Early Retirement is at any age under 60 with 30 years of service.

C. Disability Retirement
A disability retirement allowance is available at any age with five years of service provided the disability, mental or physical, is permanent.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement
The allowance is composed of an annuity which is the actuarial equivalent of the member's accumulated contributions, and a pension of 1/120 of average final compensation (average of five highest consecutive years of service) for each year of membership service, and 1/60 of average final compensation for each year of prior service, with a minimum allowance of 1/60 of average final compensation for each year of creditable service guaranteed.

B. Early Retirement
The allowance is the actuarial equivalent of the normal allowance.

C. Disability Retirement
The benefit formula is 1/60 of average final compensation for each year of creditable service with a minimum of 1/4 of average final compensation.

11. Death and Survivorship Benefits

Lump sum death benefits of accumulated contributions plus interest and one-half of average final compensation are paid to the estate or designated beneficiary of a member with one year of service who dies in active service.

If a member who is eligible to retire or is age 55 with fifteen years of service dies while in active service and had designated his spouse as primary beneficiary, there is paid to the surviving spouse an allowance for life equal to the Option 2 benefit (joint-life allowance); provided, however, that such spouse may, within 60 days after the death of the member, elect to receive the lump sum death benefit.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Supplemental Social Security.

B. Investment in common stocks.

C. Teachers participate in retirement fund investments.

14. Recommendations for Improvement of the System

A. Retirement fund investment returns of at least 9% of new money.

B. Vesting after five years at age 55.

C. Opportunity to purchase fifteen years of out-of-state service.

D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.

F. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.

H. No compulsory retirement age fixed by the retirement

law but a local board of education may request retirement at age 70.

I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

K. A lump sum death burial benefit of $1500.

L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

MASSACHUSETTS
Massachusetts Teachers' Retirement System

1. Administrative Structure

The system is administered by the Teachers' Retirement Board consisting of the state commissioner of education, ex officio, who serves as chairman; one person elected by and from the membership for a three-year term; and a third member who need not be a person engaged in the teaching profession although historically such a person has been elected to the board. The terms of the elected members are staggered. The board is required by statute to meet once a month. The members serve without compensation, but are reimbursed for necessary expenses.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute at the rate of five percent of full regular salary, not including overtime pay or bonus. Members may make additional voluntary contributions for supplementary benefits. These contributions may be in specified amounts to a maximum of five percent annually of the first $3,600 of salary, or in lump sum deposits no greater than what would be accumulated on the first $3,600 of salary.

B. Employer

The public share is financed by the state in an annual appropriation to cover the pension portion of the retirement allowance. It is not governed by a fixed rate. The appropriation for 1966 was $27,323,044. State contributions are not credited to individual member's accounts.

C. Interest

Interest is credited to the member's account each December on the balance on hand the previous December 31. The rate on all contributions made since January 1, 1946, is variable, and is determined by statutory authority by the actuary of the Division of Insurance of the Massachusetts Department of Banking and Insurance. For 1967, the rate was 3.8 percent. By statute, three percent is guaranteed on the part of the member's account represented by contributions made prior to January 1, 1946.

3. Investments

Responsibility for investment of funds is not vested in the Teachers' Retirement Board, but in an unpaid investment committee consisting of the state treasurer, ex officio, who serves as chairman; the commissioner of banks, ex officio; and a third person, chosen by the two ex officio members, who is qualified by training and experience in the investment of funds. This member must have been employed principally in such occupation for a period of ten years. The state treasurer makes investments subject to the approval of the investment committee.

Funds may be invested in U.S. Treasury, state, and municipal bonds, and in securities, other than mortgages or collateral loans, that are legal investments for savings banks under the laws of Massachusetts, within the following limits: railroad obligations, up to 20 percent; bonds of telephone companies, up to 25 percent; bonds of public service companies, up to 40 percent; other obligations as specified by law, in which savings banks may invest, up to ten percent; stocks of banks and insurance companies, up to fifteen percent; and in deposits of savings funds of savings banks organized under Massachusetts law, in paid-up shares and accounts of and in cooperative banks, and in share accounts of federal savings and loan associations in the state.

As of December 31, 1966, total investments, exclusive of cash, were $197,750,369; cash on hand was $3,008,248.

4. Social Security Coverage

None.

5. Tax-Sheltered Annuities

Not available from the system.

6. Number of Retirees and Benefits Paid

As of December 31, 1966, a total of 8,895 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $3,388. During the last retirement year, 867 members retired. The median annual retirement allowance for this group was $4,730.

7. Creditable Service

Military service credit is creditable for members who were teachers when they entered the military service and who return within two years to the same position or a similar position in public school service of Massachusetts. Credit is now limited to four years of military service unless any military service beyond four years is involuntary. Contributions that the teacher would have made had his teaching service not been interrupted by military service are paid by his employer.

8. Mobile Teacher

A. Out-of-state service in public schools is creditable to a maximum of ten years, or to the maximum of Massachusetts service, if less than ten years. No out-of-state credit is allowed if a teacher is entitled to, or is receiving, a retirement allowance from another state for the same period for which the credit is sought. The member must purchase the credit. The cost is five percent of salary rate plus interest at rates in effect during the years for which credit is sought.

B. Vesting and Deferred Allowance

Benefits vest after 20 years of service if the member resigned from service before age 55. The allowance is available immediately or can be deferred. Vesting occurs after six years of service if the member's position is abolished, if he is not re-elected or reappointed, or if he is removed or is discharged without moral turpitude. The

allowance is automatically deferred to age 55 and is payable on application by the member. The benefit formula for deferred retirants is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65 regardless of years of service. Contributions continue as long as the member remains in service.

B. Early Retirement is provided at age 55, regardless of years of service.

C. Disability Retirement is provided to non-veteran members under age 55 with 15 years of service, and to veteran-members at any age to age 70 with ten years of service.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement
The retirement allowance consists of an annuity based on the member's accumulated contributions plus a pension from the state determined under the following benefit formula: 2½ percent times years of service times average of regular salary for the highest three consecutive years or the average of annual regular salary during the period or periods, whether or not consecutive, constituting the last three years of service preceding retirement, whichever is greater. The retirement allowance cannot exceed 80 percent of the three-year average annual salary used. If retirement occurs prior to age 65, the base rate of 2½ percent is reduced by one-tenth of one percent for each year under age 65.

B. Early Retirement
The benefit formula for the pension is 1½ percent times years of service times average three-year salary as outlined above.

C. Disability Retirement
The benefit for ordinary disability (not employment-connected) for members who are not veterans, is 1½ percent times years of service times average three-year salary. For veteran-members, the retirement allowance is one-half of the salary received for one year preceding retirement, plus the annuity at true age based on the member's total accumulated contributions.

For accidental disability, arising out of an accident or hazard undergone while in the performance of duties, the retirement allowance is two-thirds of the member's salary on the date of the accident or two-thirds of salary for the one-year period preceding retirement, whichever is greater, plus an annuity at true age based on the member's total accumulated contributions plus $312 annually for each child until he attains age eighteen.

11. Death and Survivorship Benefits

In the event a member dies as a result of an accident or hazard in the performance of duties, an accidental death benefit is provided. It includes (a) a refund to the named beneficiary, if any, or to the estate, of the member's accumulated contributions, and (b) an annual benefit to a dependent spouse of two-thirds of the member's salary on date of his death, plus $312 annually for each child until he attains age 18. The benefit to the spouse ceases upon remarriage, but the benefit is then paid for any child or children in equal shares in addition to the normal dependency of $312 per child annually.

In the event a member dies while in active service (but not due to occupational accident), his total accumulated contributions are refunded to his beneficiary or his estate unless member-survivor benefits were elected. A member may designate as his beneficiary his spouse, child, father, mother, sister, or brother. If there was no beneficiary designation, the spouse may elect to receive the survivor benefit for life. The benefit is two-thirds of the amount derived as follows: 1.5 percent of three-year average salary times years of service, times percent of the whole at combined age of the member and beneficiary. Age 55 is assumed if the member died before age 55; otherwise, the true age is used.

There is a choice of another survivor benefit if the deceased active member had two years of service at time of death. Under this benefit there is payable monthly to the widow and/or children under age eighteen of a male member, $100 to the widow, $50 for one child, and $35 for each additional child. Remarriage of the widow terminates the benefit, but the payment of $35 per month for the benefit of each child continues to age eighteen. If there is no surviving widow or the widow dies, the $100 per month benefit to the widow is paid in equal shares to the surviving child or children. In the case of a deceased female member, there is payable to the husband a benefit for children only of $50 per month for one child under age eighteen, and $35 per month for each additional child under age eighteen; if there is no surviving husband, or if the husband dies, the guardian receives for the benefit of the children, $100 per month, to be distributed equally, plus $50 per month for one child, and $35 per month for each additional child.

12. Regularly Planned Cost of Living Adjustment after Retirement

By legislation passed in 1967, persons who retired before January 1, 1965 and whose retirement allowance does not exceed $6,000 have been granted cost of living increases based on the United States consumer price index. Beginning in the year 1970, all retirement allowances not in excess of $6,000 will be subject to increases or decreases of the consumer price index. Adjustments after three percent change.

13. Strengths of the System

A. Cost of living adjustment for retirants related to the change in the consumer price index.

B. Benefit formula of 2½ percent per year of service with the maximum retirement allowance cannot exceed 80 percent of the three years in the final average salary.

C. Separate survivorship program if a member dies in active service.

14. Recommendations for Improvement of the System

A. Establish supplemental Social Security.

B. Teacher participation in retirement fund investing.

C. Retirement fund investment returns of at least 9% of new money.

D. Vesting after five years at age 55.

E. Opportunity to purchase fifteen years of out-of-state service.

F. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

G. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.

H. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
I. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
J. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
K. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
L. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
M. A lump sum death burial benefit of $1,500.
N. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

MICHIGAN
Michigan Public School Employees' Retirement System

1. Administrative Structure

The retirement board consists of seven members: the superintendent of public instruction and six members who are appointed by the governor from the members of the system, subject to Senate approval and one must be a retired member. One member must be a non-teaching member, and one must be a woman teacher. Appointments are staggered, one each year, for six-year terms. The term of office begins March 1 of the year of appointment.

2. Financing

A. Benefits are financed jointly by member contributions and public revenue. Members contribute three percent of the first $4,200 of gross salary in each calendar year, plus 5 percent of all salary over $4,200 for the retirement allowance. The member's Social Security tax is in addition to this requirement and is deducted and paid through the retirement system.

There is no provision for members' voluntary contributions for supplementary benefits.

B. Employer

The employer contributes at the actuarial percent of wages and salaries paid to employees for current service costs. This rate includes the employer's share of the Social Security tax. The employer's share of the contribution to the system is made by the state from the school-aid fund before distribution to the school districts. No contributions are made by the school districts. The state also pays an appropriation from its General Fund for the employers' share for members who are state employees (colleges, universities, etc.). Colleges, universities, and other state departments which receive federal grants are required to pay the employer's contribution from these grants. Colleges and universities which maintain local funds from which they pay salaries and wages are required to pay the employer's share from the local funds from which the wages are paid. The employer's share is an annual appropriation, one-twelfth of the allotment being made available to the retirement system each month during the year. Employers' contributions during the 1966–1967 year totaled $52,733,711.59.

C. Interest is credited to each member's account at the rate of 2½ percent, posted as of December 31 each year, and compounded annually. The rate is set by the retirement board within the 1 percent-3 percent limits fixed in the retirement law.

3. Investments

Investments may be made in U. S. Government bonds or other U. S. obligations; bonds or obligations of the state of Michigan or those of a county, city, village, or school district: FHA mortgage notes or bonds, and debentures under FHA and other obligations in which principal and interest are guaranteed by the U. S. Government; building and loan or savings and loan associations situated in Michigan, or obligations of national mortgage associations under the National Housing Act. Up to ten percent may be invested in stocks. Investment is also permitted in corporate bonds on the same basis as allowed by statute to domestic life insurance companies.

The retirement board is responsible for the investment of funds, but the approval of the state treasurer is also required. In practice, the retirement board has delegated investment authority to a large extent to the state treasurer.

As of June 30, 1967, total investments, exclusive of cash, were $440,110,054; there was no cash on hand.

4. Social Security Coverage

Social Security was adopted in 1956, retroactive to January 1, 1955. Coverage is state-wide, and includes all members of the system.

The retirement system is designated by statute to pay the employer's Social Security tax from the Pension Fund for all Michigan public-school employees. Social Security was adopted on a co-ordinated basis: contributions to the retirement system are lower on the first $4,200 of salary and higher on salary over $4,200.

5. Tax-Sheltered Annuities

Available through local school board employer.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 14,716 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $2,032. During the last retirement year, 1,642 members retired. For this group the median annual retirement allowance was $2,878.

7. Creditable Service

Military service is creditable without limit at no cost to the member provided the member left Michigan public school service to enter military service and returned to Michigan public-school work within 24 months of discharge or relief from active duty.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Service outside the system, including in-state service and out-of-state service, is creditable to a maximum of 15

years, provided payment is made at the rate which was in effect under this system at the time of the service plus 2½ percent per year simple interest from the time the service was performed to the time payment is made. Service outside the system must be followed by five years of service under this system. Included are public school work in other states or in territorial possessions of the United States; service in the public schools of the city of Detroit.

B. Vesting and Deferred Allowance
Benefits vest after ten years or more of creditable service provided members with less than 25 years of creditable service have reached age 50 before separating from service. For members with more than 25 years of creditable service, benefits vest regardless of age at separation from service, the deferred benefit is payable at age 60 under the normal benefit formula.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with a minimum of ten years of creditable service. Contributions continue as long as the member remains in active service.
B. Early Retirement under the normal retirement formula is provided at any time after age 55 with 30 or more years of service.
C. Disability Retirement is available at any age to members with a minimum of ten years of Michigan public school service, for total and permanent disability.
D. Compulsory Retirement is not required by the retirement law, but by local option many school districts set a compulsory retirement age. Some districts set no age limits; others have age limits, but permit year-to-year extension on the basis of the school district's needs and the capabilities of the individual.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is one percent of the first $4,200 of average salary for the best five consecutive years anywhere in Michigan service, plus 1½ percent of the remainder of that average salary multiplied by total years and fractions of a year of service to the nearest 1/10 of a year.

B. Early Retirement
The benefit is reduced one-half percent for each month the member starts drawing a retirement allowance before age 60.

C. Disability Retirement
The benefit is computed on the same basis as the normal benefit, but is not reduced for age. Total disability is defined as inability to work, and permanent disability as reasonable certainty that the disability will continue for at least six months after application for the disability allowance. Application must be made within eighteen months after last regular full-time public school work under this system. A person may do no school work while drawing a disability allowance except by prior specific approval of the retirement board if a partial return is indicated for rehabilitation purposes.

11. Death and Survivorship Benefits

No death benefits are provided. If an active member dies before he is eligible for retirement, and he has less than fifteen years of service credit, his accumulated contributions are refundable to his designated beneficiary or legal representative.

If an active member dies with fifteen or more years of service credit or after he becomes eligible for retirement, instead of a lump-sum refund of the member's contributions, a monthly allowance is paid to his designated beneficiary (who is dependent upon him for at least half of his support) in an amount equal to the amount that would have been payable had the member retired on the day preceding his death and chosen a joint and last survivorship option paying the same allowance to his beneficiary as he himself would have received had he retired.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Investment in common and preferred stocks.
B. May purchase fifteen years of out-of-state service.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental and not co-ordinated basis.
B. Retirement board should have the investment authority and not as in practice the state treasurer.
C. Retirement fund investment returns of at least 9% of new money.
D. Vesting after five years at age 55.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

MINNESOTA
Minnesota State Teachers Retirement Association

1. Administrative Structure
The board of trustees consists of seven members. Four are elected by the membership of the fund (two in odd-numbered years) for terms of four years each. The three ex officio members are the commissioner of education, the state auditor, and the insurance commissioner. The state treasurer, although not a member of the board of trustees, is ex officio treasurer of the fund.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue.

1. Teachers who taught during the 1968–69 school year, as well as those teachers who taught prior to that time and have credit for 20 years of allowable service, may elect to participate in either the Improved Money Purchase plan, or the new Career Type Formula. These teachers with future service have the option to also participate in the new Variable Annuity program with partial benefits coming from the Career Type Formula or Improved Money Purchase plan.
2. Teachers in the co-ordinated system, in lieu of the above selections, may choose to have their entire future contributions placed in the Variable Annuity plan.

   Teachers in the basic system may also participate in the Variable Annuity plan by electing that 3/7 of their contributions be invested in this fund.
3. New teachers entering service on or after July 1, 1969, are automatically under the Formula Plan with optional election to participate in the Variable Annuity Division. Either 3/7 or all of their contributions may be directed into this fund.

Members in the basic system without Social Security coverage contribute seven percent of salary. Members in the coordinated system with Social Security coverage contribute 3½ percent of salary for teachers' retirement.

B. Employer

The state pays the employer's contribution of seven percent of salary for members in the basic system without Social Security coverage, and 4½ percent on salary for members in the coordinated system with Social Security coverage. The state's total contribution for fiscal 1967 for payment of the retirement annuity was $11,896,263.38. Disability benefits, the survivor benefits, and administrative expenses are paid from previous state contributions that are retained when members withdraw their accumulated contributions.

C. Interest on members' accumulated contributions is credited currently on June 30 of each year on the basis of amount earned. The current rate is four percent compounded annually. The rate is set by the retirement board.

3. Investments
Retirement system funds may be invested in a wide variety of securities, including corporate obligations and stocks. Investments in corporate bonds are limited to 60 percent, and in common stocks to 35 percent of the total assets of the fund. Investments are made by a separate state investment board, whose members are the governor, the state auditor, the state treasurer, the attorney general, and the secretary of state.

As of June 30, 1967, total investments, exclusive of cash, were $141,705,495; cash on hand was $207,819.

4. Social Security Coverage
Social Security was adopted for teachers in state colleges in 1957 by majority vote. Social Security was adopted on the divisional basis January 1, 1960. All new teachers in the public schools covered by the retirement system were required to become members of the coordinated system with Social Security. Members employed on December 31, 1959, who did not voluntarily elect to be covered under Social Security remain in the basic system without Social Security coverage; these members constitute a closed system to which new teachers are not eligible for membership. The employer's share of the Social Security tax is paid by the state. Social Security is on a coordinated basis.

5. Tax-Sheltered Annuities
Not available to members from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1967, a total of 2,635 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $1,346,56 for those in the basic system, and $550.80 for those in the coordinated system. During the last retirement year, 228 members retired, 116 from the basic system with a median annual retirement allowance of $1,875.78 and 112 from the coordinated system, with a median annual retirement allowance of $622.44.

7. Creditable Service
Military service is creditable under certain conditions, provided the member purchases it.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Credit is not provided for public school teaching service in the state if rendered in public schools covered by a separate retirement system, as in the schools of Minneapolis, St. Paul, and Duluth, or at the University of Minnesota.

Out-of-state service is not creditable.

B. Vesting and Deferred Allowance

Benefits vest after ten or more years of allowable service, and a deferred allowance is payable at age 55 or later. The benefit formula is the same as for normal retirement, a money-purchase annuity, based upon the member's contributions, the employer's matching contributions, and interest.

9. Requirements for the Right to Retire

A. Normal Retirement is at any age with 30 years of allowable service.
B. Early Retirement is available at age 55 with ten years of allowable service.
C. Disability Retirement is available to members age 50 or younger with 10 years of allowable service and to members over age 50, with five years of service.
D. Compulsory Retirement is not required by the retirement law. The age at which a teacher is required to ter-

minate teaching service is determined by each local school board.

10. Requirement Benefit Formulae

A. Normal Retirement
The retirement benefit consists of money-purchase annuity, based upon the member contributions, plus interest, and the employer's and fund contribution, and is actuarially determined according to member's age, sex, and type of annuity elected.

B. Early Retirement
The benefit formula is the same as for normal retirement.

C. Disability Retirement
The benefit formula for disabiltiy retirement is the same as for normal retirement at age 65. In the basic system, an additional fixed benefit is payable. The disability benefit is automatically converted to a retirement annuity at age 65.

11. Death and Survivorship Benefits

If a member of the coordinated system, with Social Security coverage, dies before retirement, the total amount of his accumulated contributions plus interest earned is paid to his beneficiary or estate.

If an active member of the basic system without Social Security coverage dies before retirement, survivor benefits may be payable up to $65 per month for widow (or widower under certain conditions), $45 per month for each child under age of 55 with not less than 20 years of allowable service regardless of age, has the option to make an election for his surviving dependent spouse, the member's accumulated deduction, or a joint and survivor annuity. If no survivorship benefit or annuity is payable, the total amount of the contribution plus interest earned is paid to the beneficiary or the state.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

Investments in common stock and the opportunity to participate in a variable annuity program as of July 1, 1969.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental and not coordinated basis.
B. Teacher participation in retirement fund investing.
C. Retirement fund investment returns of at least 9% of new money.
D. Vesting after five years at age 55.
E. Opportunity to purchase fifteen years of out-of-state service.
F. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
G. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
H. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
I. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
J. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
K. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
L. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
M. A lump sum death burial benefit of $1500.
N. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

MISSISSIPPI
Mississippi Public Employees' Retirement System

1. Administrative Structure

The system is administered by a ten-member board consisting of the state superintendent of education, the state treasurer, the chairman of the House Appropriations Committee, the chairman of the Senate Finance Committee, all of whom serve ex officio; an investment banker and a classroom teacher, both appointed by the governor, who serve four-year terms; two members elected by state employees, one member representing county employees, one member elected by city employees, all of whom serve for a term of six years.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute at the rate of 4½ percent on earnings above $1,200 up to $15,000 per year. Additional voluntary contributions for supplemental benefits may be made.

B. Employer
Employers contribute three percent on total salary up to a maximum of $15,000 per year.

C. Interest reserve is calculated at the rate of 3½ percent. The rate is set by the retirement board.

3. Investments

Investments are limited to general obligations of the federal government, the states and their political subdivisions, Tennessee Valley Authority bonds, corporate bonds rated A or better, and FHA mortgages.

As of June 30, 1967, total investments, exclusive of cash, were $97,071,741; cash on hand was $758,591.

4. Social Security Coverage

Social Security was adopted effective July 1, 1952, retroactive to March 1, 1951. All school employees are covered.

The school district pays the employer's share of the Social Security tax. Political subdivisions may become members of the system for Social Security coverage only, or for both Social Security and Supplemental State Annuity at their pleasure. The retirement system and Social Security are coordinated. The Social Security benefit is in addition to the retirement allowance from the retirement system.

5. Tax-Sheltered Annuities
Not available to members from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1967, excluding certain retired teachers, a total of 6,710 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $818.40. In addition, there were 463 retirant teachers of the former Teachers' Retirement System with a median annual retirement allowance of $513.12.

During the last retirement year, 949 members retired. For this group the median annual retirement allowance was $1,398.81.

7. Creditable Service
Military service rendered subsequent to September 1, 1940, is fully creditable at no cost to the member.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Out-of-state service is not creditable.
B. Vesting and Deferred Allowance
Benefits vest partially after sixteen years of service and fully after 20 years of service, and a deferred retirement allowance is payable at age 60. If the member has served less than 20 years, his deferred allowance is a full annuity based on his own contributions, plus a proportionate part of the pension due for membership and prior service equal to 20 percent for each year of service over fifteen.

9. Requirements for the Right to Retire
A. Normal Retirement is at age 65 with at least ten years of service. Contributions continue as long as the member remains in service.
B. Early Retirement is at age 55 with 30 years or more of service.
C. Disability Retirement is available at any age up to age 60 to members with 10 years of service.
D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 65, but a member may be continued in service for one year at a time until age 70.

10. Requirement Benefit Formulae
A. Normal Retirement
The retirement allowance consists of an annuity based on the member's contributions plus interest, and a pension calculated under a benefit formula of 1½ percent times number of years of creditable service times average annual earnings for the five highest consecutive years less $1,200.
B. Early Retirement
The allowance is calculated as for normal retirement, with the pension portion reduced three percent per year under age 65.
C. Disability Retirement
The disability formula is 1½ percent times years of service plus those years that would have been obtained if the employee had continued work to age 60 times gross average annual salary for the five highest consecutive years times 85 percent times 75 percent.

11. Death and Survivorship Benefits
The member's accumulated contributions plus accumulated interest at one percent are refunded to the named beneficiary or to the estate of a member who dies in active service unless he has filed an Advanced Application for Optional Settlement benefits, or unless he had at least 20 years of service and his wife was not eligible for Social Security survivorship benefits, in which event a monthly payment based on Option 2 is available to the wife until she becomes eligible for Social Security survivorship benefits.

Upon retirement a member may elect to receive a straight life annuity with all payments to cease at his death, or one of several options that provide for payments to a survivor beneficiary.

12. Regularly Planned Cost of Living Adjustment after Retirement
Retirants who retired prior to July 1, 1966, receive a 13th retirement check based on 1½ percent times years retired, times annual retirement allowance.

13. Strengths of the System
A. Teacher participation in retirement fund investing.
B. A 13th retirement check based on 1½ percent times years retired, times annual retirement allowance is given to retirants who retired prior to July 1, 1966.

14. Recommendations for Improvement of the System
A. Social Security on a supplemental and not coordinated basis.
B. Election and not appointment of teacher member of board of trustees.
C. Retirement fund investment returns of at least 9% of new money.
D. Vesting after five years at age 55.
E. Opportunity to purchase fifteen years of out-of-state service.
F. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
G. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
H. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
I. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
J. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
K. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
L. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
M. A lump sum death burial benefit of $1500.
N. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

MISSOURI
The Public School Retirement System of Missouri

1. **Administrative Structure**
The system is administered by a board of trustees composed of five members: two selected by the members of the system and two appointed by the state board of education. The commissioner of education is an ex officio member.

2. **Financing**
   A. Member
   Benefits are financed jointly by member contributions and employer contributions. Members contribute up to, but not in excess of, eight percent of annual salary. Members may make voluntary deposits up to ten percent of annual salary for supplementary benefits.
   B. Employer
   The local employer (school district) matches the contributions of members. The contributions of employers are not credited to members' accounts, but are credited to a reserve account for the purpose of paying benefits to members and beneficiaries who may qualify for such benefits.
   C. Interest is credited on members' accumulated contributions at the end of each fiscal year. The current rate is four percent and is determined by the Board of Trustees.

3. **Investments**
Funds of the system may be invested in any securities which are legal for investment by life or casualty insurance companies operating in Missouri. These include any types of securities after the first $200,000 is in cash, bonds of the U. S. Government or securities of an agency of the U. S. Government. The funds are invested in agencies of the U. S. Government, FHA-insured loans, corporation bonds, and common stock. The board of trustees is responsible for the investment of funds.

As of June 30, 1967, total investments, exclusive of cash, were $220,000,000; cash on hand was $1,234,000.

4. **Social Security Coverage**
Coverage has not been extended to any school district.

A plan to cover state college employees was adopted in 1956, effective January 1, 1956. By referendum, Social Security was extended only to the five state colleges, and subsequently to a few state employees. The employer's share of the Social Security tax is paid by the state.

Social Security is coordinated with the retirement system. The contribution rates to the retirement system and the retirement benefits for those with Social Security coverage are only two-thirds the amount for other members.

5. **Tax-Sheltered Annuities**
Tax-sheltered annuities are available to members through the retirement system.

6. **Number of Retirees and Benefits Paid**
As of June 30, 1967, a total of 4,199 retirants and surviving beneficiaries were receiving benefits. During the last fiscal year, 467 members retired.

7. **Creditable Service**
Military service credit is allowed if the member was employed as a teacher in a district in the retirement system at the time of his induction and served without voluntary re-enlistment, and returned to teaching following the military service.

8. **Mobile Teacher**
   A. Purchase of Out-of-State Service
   Out-of-state teaching credit is allowable to a maximum of ten years. There is no limit on the years of creditable service allowable for teaching services within the system.
   B. Vesting and Deferred Allowance
   Benefits vest after 20 years of creditable service. Deferred benefits are payable at age 60. The deferred retirement allowance is calculated under the normal retirement formula.

9. **Requirements for the Right to Retire**
   A. Normal Retirement is at age 60 with five or more years of service.
   B. Early Retirement is available to a member regardless of age with 30 or more years of creditable service.
   C. Disability Retirement is available at any age prior to 60 to a member with eight or more years of service in the system who is permanently disabled.
   D. Compulsory Retirement is required under the retirement law as of July 1 next following the attainment of age 70.

10. **Requirement Benefit Formulae**
   A. Normal Retirement
   The benefit formula is 60 cents plus 1.5 percent of final average salary for each year of membership service plus 6/10 of the amount payable for a year of membership service for each year of prior service not exceeding 30 years. An increment of ¾ of 1 percent is allowed for each month of attained age in excess of 60 but not in excess of 65 years. Final average salary is 1/120 of total earnings for best 10 consecutive years of creditable service.
   B. Early Retirement
   If retirement occurs before age 60, the retirement allowance is the actuarial equivalent of the amount which would have been paid for retirement at age 60 with the same creditable service.
   C. Disability Retirement
   The disability benefit is 90 percent of the allowance which would be paid if the member were retiring at age 65 with the same creditable service, or 50 percent of 1/12 of the annual salary rate for the last complete year of service prior to disability, whichever is the greater.

11. **Death and Survivorship Benefits**
The beneficiary of a member who dies prior to retirement is entitled to receive the member's total accumulated contributions plus interest. Certain qualified survivors of members who die before retirement may elect to receive monthly survivor benefits in lieu of the accumulated contributions and interest. A widow age 60, or a dependent widower age 65, receives $200 per month until remarriage or death; a widow with a dependent unmarried child under age eighteen receives $200 per month, plus $100 for each additional child, to a maximum of $500. The benefits for surviving dependent children are not discontinued because of remarriage of the surviving widow. Upon death of the widow, or if there is no surviving widow, the dependent unmarried children under

age eighteen are entitled to $150 per month per child to a maximum of $500. The benefit for a surviving dependent child continues to age 22 if the child is a full time student. A continuing benefit is provided for a surviving child who becomes physically or mentally disabled prior to attainment of age eighteen.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Investment in common stocks.
B. Teachers may participate in retirement fund investing.

14. Recommendations for Improvement of the System

A. Establish Social Security on a supplemental basis.
B. Retirement fund investment returns of at least 9% of new money.
C. Vesting after five and not 20 years at age 55.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

MONTANA
The Teachers Retirement System of the State of Montana

1. Administrative Structure

The retirement board consists of five members: The state superintendent of public instruction, two teacher-members, and two representatives of the public appointed by the governor for four-year terms.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute five percent of total compensation. Members may make voluntary contributions in any amount for supplemental benefits.
B. Employer
The public share of the contribution is paid by the school districts out of local funds for members in elementary and high schools, and by the state for members in the university system. The employer's contribution rate is 4½ percent of total compensation.
C. Interest on member's accumulated contributions is credited at the rate of 5 percent compounded annually each June 30 on the preceding year's balance. The rate is set by the retirement board.

3. Investments

Investments may be made in FHA and conventional mortgages, U. S. Government bonds, state and municipal bonds, corporate bonds, and railroad trust certificates rated A or better. As of June 30, 1969, investments, exclusive of cash, were $51,800,000.

4. Social Security Coverage

Social Security coverage was adopted on a local-option basis in 1955 and became effective January 1955. Ninety percent of the school districts now are covered. The school district pays the employer's share of the Social Security tax for employees in the elementary and high schools, and the state pays the employer's share of the Social Security tax for the university system.

The Social Security benefits are entirely supplemental to the retirement allowance.

5. Tax-Sheltered Annuities

Tax-sheltered annuities are available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1969, a total of 2,100 retirants and survivor beneficiaries were receiving benefits. The average annual retirement allowance was $1,585. During the last retirement year, 150 members retired.

7. Creditable Service

Military service credit is granted for service rendered during time of war.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Teaching in overseas dependents schools is creditable as out-of-state service.
B. Vesting and Deferred Allowance
Benefits vest after five years of service, and deferred allowance is payable at age 60. The benefit is calculated as for formal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with five years of Montana service after 1937. A member who has reached age

60 with 35 years of service may cease contributions to the retirement system.

B. Early Retirement
There is no provision for early retirement other than at age 60 with five years of service, the normal retirement requirement.

C. Disability retirement is available at any age to a member with five or more years of service credit, if he is mentally or physically incapacitated from further duty, and the incapacity is likely to be permanent.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement
The retirement allowance consists of an annuity which is the actuarial equivalent of the member's accumulated contributions, plus a pension of 1/140 of average salary times years of membership service, plus a prior service pension of 1/70 of average salary per year of prior service. The average salary is the average of the three highest consecutive years on which the contribution was paid.

B. Early Retirement
There is no provision for early retirement other than at age 60 with five years of service, the normal retirement requirement.

C. Disability Retirement
The disability allowance is 25 percent of the member's average salary of the three highest consecutive years for service up to 20 years, plus a percentage increase for each additional year of service.

11. Death and Survivorship Benefits

If a member dies before completing five years of service, his contributions plus interest are refunded to his beneficiary. If death occurs after five years of service, the beneficiary has a choice of a lump-sum refund of the contributions or a monthly benefit based on the member's years of teaching, his average salary, contributions, and the beneficiary's age. $50 per month will be paid for each minor child to his 18th birthday.

12. Regularly Planned Cost of Living Adjustment after Retirement

Plan included a one percent catch up for each year of retirement prior to 1967.

13. Strengths of the System

A. Supplemental Social Security.
B. Teachers participate in retirement fund investing.
C. Final average salary is the average of three highest consecutive years.

14. Recommendations for Improvement of the System

A. Retirement fund investment returns of at least 9% on new money.
B. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
C. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
D. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
E. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
F. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
G. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
H. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
I. A lump sum death burial benefit of $1500.
J. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

NEBRASKA
Nebraska School Employees Retirement System

1. Administrative Structure

The retirement system is administered by the Board of Educational Lands and Funds. The Board consists of five members, one from each district, appointed for a five-year term by the governor. Administrative costs are shared equally by the state and the members, and have varied from $1 to $2 per year.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 3½ percent of all salary. Contributions cease at 65.

B. Employer
The state contribution currently consists of a legislative appropriation from the State's General Fund.

C. Interest
Each June, interest is credited on the member's contributions based on the balance of the previous June. The rate will be determined by the primary carrier(s). For the past several years the rate has been three percent.

3. Investments

For the purpose of obtaining a better investment performance, the 1967 legislature provided that the assets of the retirement system be transferred to a primary carrier(s) to be selected by the Board of Educational Lands And Funds. This Board chose as carriers six banks and two insurance companies authorized to do business in Nebraska.

4. Social Security Coverage

Social Security was adopted in 1955, effective January 1, 1955. Coverage is state-wide. The local school districts pays

the employer's share of the Social Security tax. Social Security is entirely supplemental to the retirement allowance.

5. Tax-Sheltered Annuities
Not available to members from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1967, a total of 2,658 retirants and survivor beneficiaries (including those from the Omaha System) were receiving benefits. During the last retirement year, 189 members retired (not including Omaha System retirants).

7. Creditable Service
Military service is creditable without cost to the member if he was a school employee before entering the Armed Forces and returns to school service within three years after separation.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Credit for out-of-state teaching service since 1945 is granted to a maximum of ten years, but may not exceed the number of years of service rendered in Nebraska. To be eligible, the member must be employed as a "school employee" in Nebraska at retirement. The member must pay for the credit on the same basis as he would have paid had the service been in Nebraska. No interest is charged. The payment must be made within three years of entry into the system.
B. Vesting and Deferred Allowance
Benefits vest after five years or more of covered service, and a deferred allowance is payable at age 65 under the normal benefit formula.

9. Requirements for the Right to Retire
A. Normal Retirement is at age 65 with a minimum of five years of service.
B. Early Retirement is provided at any age with 35 years of service under the normal retirement formula.
C. Disability Retirement is available at any age with fifteen years of service, the last two of which must be immediately prior to the disability.
D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 65, but employment of the member may be continued on a year-to-year basis with the approval of the employer. No contributions are made, and no additional credit is gained in the retirement system after age 65.

10. Requirement Benefit Formulae
A. Normal Retirement
The retirement benefit consists of an annuity which is the actuarial equivalent of the member's accumulated contributions and interest, based on sex and age at retirement, and a pension from the state called a service annuity, which equals $1.50 per month for each year of service prior to July 1, 1968, and $3 per month for each year of service thereafter.
B. Early Retirement is provided at any age with 35 years of service under the normal retirement formula.
C. Disability Retirement
The disability allowance is computed as for normal retirement.

11. Death and Survivorship Benefits
If a member dies before retirement, his designated beneficiary receives a refund of his accumulated contributions. The beneficiary must apply for the payment within five years, or the member's contributions are forfeited to the retirement fund.

Survivor benefits, other than the lump sum refunds of contributions, are provided only for beneficiaries of retirants who have selected one of the available options at time of retirement.

12. Regularly Planned Cost of Living Adjustment after Retirement
None.

13. Strengths of the System
A. Social Security on a supplemental basis.
B. Teachers could participate in retirement fund investing.
C. Vesting after five years.

14. Recommendations for Improvement of the System
A. Retirement fund investment returns of at least 9% of new money.
B. Current and not pay-as-you-go funding.
C. Opportunity to purchase fifteen years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
F. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement, but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

NEVADA
Public Employees Retirement System of the State of Nevada

1. Administrative Structure
The system is administered by a retirement board of five members appointed by the governor for four-year terms. Two members must not be public employees; the remaining three must have at least ten years of public service in the state of Nevada and must be members of the system.

2. Financing
A. Member
Benefits are financed jointly by member contributions and public revenues. From July 1, 1967 on, members contribute six percent of gross salary of which 5 percent is the regular contribution, ½ of 1 percent is to finance the automatic post-retirement increase of 1½ percent per year, and ½ of 1 percent is to finance the survivor benefits program. In addition, an administration fee of 24 cents is charged for each full month of employment. There is no provision for additional voluntary contributions for supplementary benefits.
B. Employer
The employer matches the member's contribution and the administration fee. The state pays the employer's share for public school teachers. The employer's contributions are not credited to the members' account.
C. Interest
No interest is credited on member's contributions.

3. Investments
Subject to certain statutory restrictions and limitations, the retirement board has authority to invest funds in bonds of the United States, or any of its agencies or instrumentalities; bonds of the Dominion of Canada or any of its provinces or municipalities; bonds of any state or any political subdivision thereof or the District of Columbia; bonds of domestic or Canadian corporations; common carrier equipment trust obligations or certificates; preferred and common stocks of domestic corporations; first mortgages on improved unencumbered real estate; and in bonds and notes that are guaranteed by the Veterans Administration or insured under the National Housing Act or the Farm Home Administration Act.

Portfolio limits are ten percent of the assets of the fund in Canadian bonds, 10 percent in corporate preferred stocks; 30 percent (April 1, 1969) in common stocks, and, except for U. S. bonds and investments made prior to July 1, 1959, no more than five percent of the assets at any one time in any combination of investments in any one institution, agency, corporation, or political subdivision. The board may employ investment counsel. Investments are subject to review by the state board of finance each quarter.

As of June 30, 1967, total investments, exclusive of cash, were $77,594,837.80, cash on hand was $905,341.53.

4. Social Security Coverage
None.

5. Tax-Sheltered Annuities
Not available to members from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1967, a total of 1,461 retirants were receiving benefits; survivor benefits were paid to 85 children, 74 widows, and four dependent parents. During the last retirement year, 272 members retired.

7. Creditable Service
Military service performed between September 15, 1940, and December 31, 1946, on and after June 27, 1950, to January 31, 1955, and from January 1, 1961, to the date to be proclaimed for the cessation of Viet Nam hostilities, is creditable if the member entered military service from and returned to covered employment within one year after release from active duty and completed five years of membership service following his return.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Teaching in overseas dependents schools and out-of-state service are not creditable.
B. Vesting and Deferred Allowance
Benefits vest after 25 years of service, and a deferred allowance is payable at age 60. The benefit formula for deferred retirants is the same as for normal retirement.

Benefits also vest after 20 years of service. The normal benefit formula is used with a reduction of 4 percent for each year under 25 years of service.

9. Requirements for the Right to Retire
A. Normal Retirement for public school employees is at age 60 with ten years of service, or at age 55 with 30 years of service. Contributions continued for as long as the member remains in service.
B. Early Retirement
There is no provision for early retirement for public school employees other than at age 55 with 30 years of service, at which time a normal benefit is payable.
C. Disability Retirement is available at any age to members with ten or more years of continuous service, if the member is totally unable to work owing to mental or physical disability. A six-month employment period must precede incapacitation unless there is a service-connected injury.
D. Compulsory Retirement is not required by the retirement law, but the employer may set a compulsory retirement age.

10. Requirement Benefit Formulae
A. Normal Retirement
The benefit is based on the average salary of the three highest years in the last ten years of service, limited to the salary on which contributions were allowed. The salary limit for contributions was $400 per month prior to July 1, 1959, $600 per month from July 1, 1959 to July 1, 1963. After July 1, 1963, contributions are made on total salary.

The retirement allowance is 25 percent of average salary for the first 10 years of service, plus an additional 2½ percent of average salary for each of the next ten years of service (to 20 years), plus an additional 1½ percent for each of the next ten years. Fractions of years are prorated. The maximum allowance is 65 percent of average salary for 30 or more years of service. Beginning on July 1 following the calendar year of retirement, the allowance is automatically increased by 1½ percent of the original allowance on each succeeding July 1.

B. Early Retirement
There is no provision for early retirement for normal school employees other than at age 55 with 30 years of service, at which time a normal benefit is payable.

C. Disability Retirement
The disability allowance is calculated as for normal retirement.

11. Death and Survivorship Benefits

The beneficiary of the estate of a member with less than two years of service who dies before retirement receives a lump sum refund of the member's contributions without interest. The following survivor benefits are available to eligible dependents of deceased active members with two or more years of service: $75 per month is payable for each child under age eighteen, to a total of $210 per month for three or more children, the benefit continuing for an indefinite period to a child over age eighteen who is mentally or physically incapacitated; $100 per month is payable to a widow without minor children, the benefit ceasing if the widow remarries or is adjudged capable of gainful employment, but the widow is paid the surplus of the member's contributions over the payments already received; $100 per month is payable to a widow with minor children, with cessation of the payment if the widow receives regular monthly income which exceeds $5,000 per year after payment of income taxes.

12. Regularly Planned Cost of Living Adjustment after Retirement

Automatic increase of 1½ percent per year of retirement allowance. Effective April 20, 1969 increases by ten percent the allowance of persons with 30 or more years of service. Limit is $300 per month.

13. Strengths of the System

A. Investment in common and preferred stocks.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental basis.
B. Teacher participation in retirement fund investing.
C. Retirement fund investment returns of at least 9% of new money.
D. Interest credited on member's contribution.
E. Vesting after five years at age 55.
F. Opportunity to purchase fifteen years of out-of-state service.
G. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
H. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
I. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
J. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
K. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
L. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
M. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
N. A lump sum death burial benefit of $1500.
O. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

NEW HAMPSHIRE
New Hampshire Retirement System

1. Administrative Structure

The retirement system is administered by a board of eleven trustees. Three are the state treasurer, the bank commissioner, and the comptroller. The treasurer serves as chairman of the board of trustees and as chairman of each sub-committee. The remaining eight members of the board consist of two employees, two teachers, two permanent policemen, and two permanent firemen.

The New Hampshire State Employees' Association, the New Hampshire Education Association, the New Hampshire Police Association, and the New Hampshire State Permanent Firemen's Association each annually nominates from its members a panel of five persons, all of whom shall be members of the retirement system, or one of the four predecessor systems. The governor, with the approval of council, shall originally appoint two persons from each panel and thereafter one annually to the board. Terms are for two years, except that the original appointments of one of the persons from each panel shall be for a term of one year.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute at various rates depending on age and sex on date of entry into the system. There are provisions for voluntary contributions for supplementary benefits.

B. Employer
The public share of the contributions is paid by the state and school districts and consists of a percentage of the earnable compensation of the members known as the "normal contribution" and an additional amount to be known as the "accrued liability contribution." The school districts pay three-fifths of these contributions, and the state pays two-fifths. The rates of the contributions are fixed on the basis of the liabilities of the system as shown by actuarial valuation.

C. Interest on the member's accumulated contributions is credited annually at the rate of 3½ percent. The rate is set by the retirement board.

3. Investments

Retirement system funds may be invested in obligations of the U. S. Government and its agencies, World Bank bonds, savings bank deposits, and Canadian bonds; industrial, public utilities, telephone, and railroad bonds; in preferred and common corporate stocks; stocks of bank and trust companies, insurance companies and investment trusts; and in shares of cooperative banks, building and loan associations existing under the laws of and located in New Hampshire. The state treasurer is custodian of the funds of the system and upon recommendation of the board of trustees has full power to invest and reinvest the funds of the system, subject to the state laws governing investments of domestic life insurance companies. The board of trustees has authority to hire investment counsel.

As of July 1, 1967, total investments of the old system were $45,655,969.09. Figures for the new system are not available.

4. Social Security Coverage

Social Security coverage for teachers on a state-wide basis was adopted in 1957, effective July 1, 1957.

The state and school districts share in the payment of the employer's share of the Social Security tax. Social Security coverage was adopted on a coordinated basis.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 910 retirants and survivor beneficiaries were receiving benefits from the old system. The average annual retirement allowance was $1,389.36. During the last retirement year, 117 members retired from the old system. For this group the average annual retirement allowance was $1,391.69.

7. Creditable Service

Military service credit is provided members who enter military service of the United States for the period of such service, provided the member again becomes employed within a year after termination of such military service and contributes the amount which would have been required had he been employed during that period.

8. Mobile Teacher

A. Purchase of Out-of-State Service
No out-of-state teaching credit is allowed.

B. Vesting and Deferred Allowance
Benefits vest at any age after fifteen years' service. Deferred benefits are payable at age 60. The benefit is equal to the allowance payable after age 65 on the basis of average compensation and creditable service at the time the member's service is terminated.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with no service requirement. Contributions continue as long as the member remains in active service.

B. Early Retirement
There is no provision for early retirement before age 60, the normal retirement age.

C. Disability Retirement is available at any age with ten years of creditable service provided there is a certification by physicians designated by the board of trustees that the member is mentally or physically incapacitated for the further performance of duty and that such incapacity is likely to be permanent.

D. Compulsory Retirement
The retirement law requires compulsory retirement at the end of the school year in which the member reaches age 65, but on request of the member and on the recommendation of the superintendent of schools and approval of the state board of education, he may be granted year-to-year extensions. No extensions are permitted beyond the end of the school year during which the member attains age 70.

10. Requirement Benefit Formulae

A. Normal Retirement
The retirement allowance consists of an annuity, which is the actuarial equivalent of the member's contributions at time of retirement and a state annuity payable prior to age 65 which, combined with the member's annuity is equal to 1/60 of his average compensation (average of highest five years) multiplied by the number of years of his creditable service to a maximum of 30 years, plus 1/120 of such compensation multiplied by the number of years of his creditable service in excess of 30 years. After age 65 (when Social Security benefits start) his state annuity is reduced by the sum of 1/120 of his average final compensation not in excess of the applicable Social Security breakpoint for each of the first 30 years of his creditable service and 1/240 of such compensation not in excess of the applicable Social Security breakpoint for each year of creditable service in excess of 30 years; provided that no such reduction shall be made in respect to any teacher for his years of creditable service between July 1, 1945, and July 1, 1950, and for those years of creditable service between July 1, 1950 and July 1, 1957, with respect to which he did not elect a refund of past contributions; such reduced retirement allowance, together with his Social Security amount, shall not be less than 1/60 of member's average final compensation for each year of creditable service not in excess of 30 years.

B. Early Retirement
There is no provision for early retirement before age 60, the normal retirement age.

C. Disability Retirement
The disability retirement allowance is 90 percent of the normal benefit, except for those age 60 who receive the normal allowance.

A member in service who has been totally and permanently incapacitated for duty as the natural and proximate result of an accident occurring while in the actual performance of duty without willful negligence on his part may be retired. If the member has attained age 60, the accidental disability retirement allowance is the same as for normal retirement; a member under 60 receives (a) a member annuity which is the actuarial equivalent of accumulated contributions at the time of retirement; and (b) a state annuity payable until he is eligible for an unreduced benefit under the Social Security act which, together with the member annuity, is equal to 50 percent of average final compensation; and, (c) a state annuity payable after he is eligible for an annuity for an unreduced benefit under Social Security which, together with the member annuity, is equal to the normal retirement allowance that would be payable after attainment of age 65 on the basis of average final compensation at the time of his disability retirement and 30 years of creditable service.

11. Death and Survivorship Benefit

If a member dies in active service or dies before age 60 after electing a vested benefit, the amount of his accumulated

contributions shall be paid to his named beneficiary or to his estate.

If a member dies accidentally while in the performance of duty, benefits are payable to his widow during widowhood; or, if there is no widow, or if the widow dies or remarries before the youngest child of the deceased member has attained age eighteen, then to his child or children under such age; or, if there is no widow or child under age eighteen living at the death ofthe member, then to his dependent father or mother to continue for life.

Benefits payable upon accidental death of a member are the sum of (a) 25 percent of the portion of his average final compensation not in excess of $6,600 and (b) 50 percent of the portion of his average final compensation not in excess of $6,600 provided that such annuity shall not be less than 50 percent of his average final compensation.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Investments in common and preferred stocks.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental and not coordinated basis.
B. Retirement fund investment returns of at least 9% of new money.
C. Teacher participation in retirement fund investing.
D. Vesting after five years at age 55.
E. Opportunity to purchase fifteen years of out-of-state service.
F. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
G. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
H. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
I. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
J. No compulsory retirement age fixed by the retirement law, but a local board of education may require retirement at age 70.
K. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
L. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
M. A lump sum death burial benefit of $1500.
N. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

NEW JERSEY
The New Jersey Teacher's Pension and Annuity Fund

1. Administrative Structure

The Teachers' Pension and Annuity Fund of New Jersey has a Board of Trustees consisting of three elected members of the Fund, the state treasurer, one appointee of the governor, and a sixth trustee chosen by the others.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public appropriations. Members contribute at rates established on the basis of age at the time of entrance into the program. On that part of the contractual salary subject to the Fund which is subject to Social Security (currently the first $7,800), the employee pays his full rate less two percent. On wages in excess of the Social Security maximum during the calendar year, the employee pays the full rate. The two percent credit assists the employee in meeting his obligations for Social Security. The State pays the employer's obligation, which is actuarially determined.

B. Employer

The State pays an amount sufficient to meet the actuarial liabilities of the system each year. The employer's contribution is about fourteen percent of salary. Such contributions are not actually credited to the member's account but are deposited in a reserve fund which is drawn on at retirement in meeting the reserve requirements for the payment of a retirement allowance.

C. Interest is credited to each member's account at the rate of three percent. The rate, by law, can be as little as two and as much as four but has been generally established at three percent since 1954. Prior to that time, it was established at 4 percent. The rate is fixed by the retirement board.

3. Investments

Investments are recommended to the board by another state agency, the State Investment Division. The moneys of the Fund may be invested in almost any governmental or corporate obligation as well as in common stocks and even in specific acquisitions of real estate. Approval of such investment proposals rests with the retirement board. As of June 30, 1969, total investments, exclusive of cash, were $915,474,768.62.

4. Social Security Coverage

Social Security was adopted in 1955, effective January 1, 1955. All members of the Fund were covered.

The State pays the employer's share of the Social Security tax. Social Security benefits are fully supplemental to the retirement allowance.

5. Tax-Sheltered Annuities

Another State program, the Supplemental Annuity Collective Trust, permits additional contributions by members of all State-administered retirement systems in order to purchase variable annuities. Members may also enter into salary

deduction agreements so that tax annuities are likewise purchased in the same program.

There is also a general statute permitting the purchase of tax sheltered annuities by employers entering into contracts for this purpose with insurance carriers.

6. Number of Retirees and Benefits Paid

As of June 30, 1969 a total of 13,881 retirants were receiving benefits. The median annual retirement allowance was $3,182.40. During the last retirement year 1,083 members retired. For this group the median annual retirement allowance was $3,793.32.

7. Creditable Service

Military service is allowed as creditable service if the individual was on leave of absence and in that event his employer is obligated to make the contribution that he would have made had he not been on military leave. Accordingly, the State would pay the employer's share of the cost of such creditable service.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Up to ten years of out of state public school teaching service may be purchased.

B. Vesting and Deferred Allowance
A member with fifteen years of creditable service may elect deferred retirement before the normal retirement age 60. In this event he leaves his contributions on deposit with the fund and at age 60 receives a retirement allowance based on the retirement formula related to his salary at the time he elected such deferred retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is voluntary at age 60; no specific years of service are required. A member contributes as long as he remains in covered employment regardless of age but not beyond the mandatory retirement age. The state also continues to pay the actuarially determined contribution.

B. Early Retirement is available at any age after 25 years of creditable service.

C. Disability Retirement
Total and permanent disability is available at any age with no service requirement for accidental disability for anyone under age 65, and ten years of service required for ordinary or non-accidental disability for anyone under age 60.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at the attainment of the 70th year, but no later than the first of the month preceding the member's 71st birthday.

10. Requirement Benefit Formulae

A. Normal Retirement
The years of the member's creditable service are multiplied by 1/60, i.e., after 30 years of service the member is eligible for 30/60 of 1/2 of final average compensation. Final average compensation is the average of the last five years or the average of the highest five fiscal years, whichever provides the larger benefit.

B. Early Retirement
The normal retirement allowance payable at age 60 is reduced by one-half of one percent for each month the member lacks of being age 60; if the member is under age 53, his normal retirement allowance is reduced by 42 percent plus 1/6 of 1 percent for each month under age 53.

C. Disability Retirement
In the event of accidental disability the retirement allowance is 2/3 of salary at the date of the accident plus an annuity based on the member's contributions. In the event of ordinary disability the benefit is calculated at 1½ percent of final average compensation for each year of creditable service; the minimum allowance is 40 percent of final average compensation, except that the benefit cannot be larger than 90 percent of the allowance which he would have received had he remained in service to age 60. There is no provision for temporary disability.

11. Death and Survivorship Benefits

If the member dies before retirement, his beneficiary receives a refund of his contributions plus compound interest plus a non-contributory group life insurance benefit of 1½ times salary (the salary received in the last twelve months of service) plus an additional 2 times salary if he had made contributions for such additional insurance. Contributions required for such additional insurance is now 5/10 of 1 percent of salary. In the event of accidental death specific benefits are payable to widows, widows and children, to minor children or to dependent parents in addition to the group life insurance death benefits cited above.

12. Regularly Planned Cost of Living Adjustment after Retirement

Fixed increases in pensions have been available since January, 1959 and the percentage of increase depends on the year in which the member retired. It is available only to those retired prior to 1955. The percentage of increase is based on the first part of the member's retirement allowance which is currently the first $900 of such annual allowance.

Legislation is now contemplated which would provide for fixed increases on the entire allowance and likewise provide for a cost-of-living increase providing one-half of the rise in the cost of living since the year in which the member retired.

13. Strengths of the System

A. Supplemental Social Security.

B. Supplemental variable annuity program and the opportunity to purchase tax sheltered annuities.

C. Teacher participation in retirement fund investing.

D. State pays an amount sufficient to meet the actuarial liabilities of the system each year.

14. Recommendations for Improvement of the System

A. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

B. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.

C. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

D. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have com-

pleted 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.

E. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.

F. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

G. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

H. A lump sum death burial benefit of $1500.

I. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

NEW MEXICO
State of New Mexico Educational Retirement Board

1. Administrative Structure

The system is administered by a seven-member retirement board composed as follows: three ex officio members, the state superintendent of public instruction, the state treasurer, and the chief of public school finance who serve on the board for as long as they hold their public offices; one member elected by the New Mexico Education Association for a four-year term; one member elected by the New Mexico members of the American Association of University Professors for a four-year term; and two members appointed by the governor from the citizenry at large, who serve for four years.

The director of the Educational Retirement Board serves at the pleasure of the board.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 4 percent of total salary. There is no provision for additional voluntary contributions for supplemental benefits.

B. Employer
The local school district contributes 6½ percent of total salaries. Employer contributions are not credited to members' accounts.

C. Interest on members' accumulated contributions is not credited.

3. Investments

The educational retirement board is the trustee of the retirement fund and has the power to invest and reinvest the money as follows: in bonds, notes, and other obligations of the United States, or those guaranteed by the U. S. Government; in bonds, debentures, or obligations of a municipal or political subdivision of New Mexico; in bonds, debentures or other obligations (a) issued by a federal land bank or by a federal intermediate credit bank under the Federal Farm Loan Act of 1916, as amended; and (b) issued by any national mortgage association under the National Housing Act of 1934, as amended; in NHA and FHLA-insured real estate mortgages.

Investments are also permitted in bonds, notes, debentures, car-trust certificates, and preferred and common stocks of any corporation organized and operating in the United States, provided the corporation has minimum assets of $10 million, and its securities are listed on one or more national stock exchanges. No more than 75 percent of the total of the retirement fund at any one time may be invested in securities of this class. The retirement fund may hold no more than ten percent of the voting stock of a company. A maximum of 75 percent of the portfolio may be invested in common stocks. The board may utilize the investment advisory services of the state investment council or the state investment officer. The board has authority to employ investment advisory services.

As of June 30, 1969, total investments, exclusive of cash, were $86,122,439; cash on hand was $4,947.

4. Social Security Coverage

Social Security coverage for teachers is on a local option and divisional basis. Where Social Security coverage exists, the local school district pays the employer's cost of the tax. Social Security benefits are entirely supplemental to the retirement allowance.

5. Tax-Sheltered Annuities

Not available from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, the total number of retirants and survivor beneficiaries receiving benefits was 2,160. The average annual retirement allowance was $1,957.43. During the last retirement year, 257 members retired. The average annual retirement allowance for this group was $2,224.39.

7. Creditable Service

Military service credit is allowable up to five years if the member terminated New Mexico school service to enter military service, and returned to New Mexico school service within 18 months after honorable discharge.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state school service is creditable to a maximum of five years, provided the member purchases it. The aggregate credit for both military and out-of-state service cannot exceed ten years (up to five years for each type). Nor can the credit be used as part of the 15 year minimum New Mexico service requirement to be eligible to retire at age 60. The age 65 requirement is 10 years minimum New Mexico service.

B. Vesting and Deferred Allowance
Benefits vest after fifteen years in state service, and a deferred allowance is payable at age 60. The benefit formula is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with fifteen or more years of service, or at age 65 with ten years of service, the last year of which must be immediately prior to retirement, or at any age with 35 years of service.

B. Early Retirement is provided at any age after 30 years of service with an actuarially reduced benefit.
C. Disability Retirement is provided at any age to a member with ten years or more of service who is unable to continue in employment.
D. Compulsory Retirement
There is no compulsory retirement age in the retirement law. Local boards of education may request retirement after age 60 for non-tenure employees, 62 for tenure employees.

10. Requirement Benefit Formulae
A. Normal Retirement
The benefit formula is 1½ percent of the first $6,600 of average annual salary plus 1 percent of the remainder of average annual salary multiplied by number of years of service credit. Average annual salary is the average of the last five years of coverage under the system or other consecutive five-year period.
B. Early Retirement
The formula is reduced actuarially for the age at retirement, if the member has less than 35 years of service.
C. Disability Retirement
The disability allowance is determined as for age or service retirement, except that there is no actuarial reduction if the member has 30 years of service and is disabled before age 60.

11. Death and Survivorship Benefit
Upon death of a member in active service, his contributions plus interest at the rate earned by the Fund during the preceding year are refunded to his named beneficiary or to his estate.

When eligible to retire, or after fifteen years of New Mexico service, a member may elect a reduced annuity, based upon age and sex of the member and beneficiary, to provide for monthly survivor benefits following the death of the member. No other survivor benefits are available.

12. Regularly Planned Cost of Living Adjustment after Retirement
None.

13. Strengths of the System
A. Social Security on a supplemental basis.
B. Teacher participation in retirement fund investing.

14. Recommendations for Improvement of the System
A. Retirement fund investment returns of at least 9% of new money.
B. Vesting after five years at age 55.
C. Opportunity to purchase fifteen years of out-of-state service.
D. Interest on member's accumulated contributions.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

NEW YORK
New York State Teachers' Retirement System

1. Administrative Structure
The retirement board consists of nine members as follows: Three members who are teacher members of the system, one of whom is elected annually at the convention of delegates for a three-year term; three members, serving three-year terms, who are appointed by the State Board of Regents; two members who must be public school administrators and who are appointed for three-year terms by the commissioner of education; and the comptroller of the state of New York who serves ex officio.

2. Financing
A. Member
Benefits are financed by public revenue. In 1968 the New York State Retirement System became non-contributory.
B. Employer
The public share of the contribution is paid by the local school districts and the state in 1968–69 at a rate of 18.5 percent of teacher's salary.
C. Interest on members' contributions is compounded annually at four percent for all members who joined the system before July 1, 1948; for all others, the rate is three percent, but additional interest up to one percent has been allowed each year since 1962–63. The interest rate is determined by the retirement board.

3. Investments
At the discretion of the finance committee of the retirement board, investments may be made in the following forms subject to certain statutory conditions: securities of the United States Treasury and of instrumentalities of the United States Government; legal high-grade corporate bonds; municipal bonds of New York State or any of its political subdivisions or authorities; bonds of the Commonwealth of Canada or any of its political subdivisions or authorities; first mortgage loans, preferred stock, common stock, and deposits in savings banks. Both mortgage commitments and stock purchases are subject to the limitations imposed upon investments which may be made by savings banks in New

York State. Investment in common stock to 30 percent with a limit of four percent of assets per year. As of June 30, 1965, total investments exclusive of cash, were $1,477,982,016; cash on hand was $37,000.

4. Social Security Coverage

Social Security coverage for teachers was adopted in 1957, effective January 1, 1958. The coverage is state-wide on a divisional basis. Each school district had the right to make it retroactive to March 1956. The employer's share of the Social Security tax is paid by the local school district. Social Security benefits are entirely supplemental to retirement allowances.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1965, a total of 16,005 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $2,410. During the last retirement year (July 1, 1964 - June 30, 1965) 1,430 members retired. The median annual retirement allowance for those who retired during the last quarter (March, April, and May 1965) was $3,534.

7. Creditable Service

Military Service is creditable if the member left teaching in the public schools of New York State to enter the Armed Forces and after discharge or completion of studies under the Servicemen's Readjustment Act returned to teaching in such schools.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state prior-service credit up to a maximum of ten years is purchasable. The member must pay for two years within the first year, and the balance of payments must be completed within the number of years being claimed. Otherwise out-of-state service credit may not be purchased until the time of retirement, provided that at least fifteen years of New York State service have been attained. There is no credit for out-of-state teaching service while membership in this system is valid.

All service performed within the state by teachers as defined above is creditable. Under certain conditions credit is provided for exchange teachers, those on sabbatical and sick leave and for summer school service. Credit from the New York State Employees Retirement System, the New York City Employees Retirement System, and the New York City Teachers Retirement System may be transferred to the New York State Teachers Retirement and vice versa.

B. Vesting and Deferred Allowance

Benefits vest after ten years of teaching service rendered in the state. A deferred retirement allowance is payable at the time the individual would first be eligible for retirement had he remained in service, but in no case before age 55.

The deferred retirement allowance consists of (a) an annuity which is the actuarial equivalent of the member's accumulated contributions at the time of retirement, (b) a pension of 1/140 multiplied by final average salary (best five consecutive salary years) multiplied by the total number of years of credited service as of the date of discontinuing service, and (c) an additional pension, if applicable, based upon "take-home-pay" employer's contributions.

C. Under the 8% Take-Home Plan provision, the member's contribution to the Retirement System is reduced by 8% of his salary allowing the member (as the title of the provision states) to take the 5% contribution home as additional income.

To offset this employer's contribution to the Pension Accumulation Fund, an amount which together with the interest on this contribution is sufficient to give the member at retirement an additional pension equal to the annuity that the 8% with its accumulated interest would have provided.

The employer's contribution is deposited in the Pension Accumulation Fund and is paid to the member only as an additional pension on retirement or to the member's beneficiary in the event a death benefit is payable.

9. Requirements for the Right to Retire

A. Normal Retirement

A member is eligible for normal retirement (superannuation) upon meeting one of the following qualifications: (a) 35 years of total service credit, regardless of age; (b) attainment of age 60 or over while in service, or (c) attainment of age 70 with active service throughout the year immediately preceding the date of the 70th birthday or the year preceding any later date.

B. Early Retirement

A member is eligible for early retirement (special service) if he has filed an election to contribute at an increased rate and: (a) has attained age 55 or over while in service, and has at least 20 years of credited New York State service, or (b) has attained age 65, regardless of years of service, and was in service throughout the year immediately preceding the date of the 65th birthday or the year preceding any later date.

C. Disability Retirement

A member is eligible for disability retirement on completion of 15 years of total credited state service, if presumably permanently incapacitated for school work.

D. Compulsory Retirement

No compulsory retirement age is fixed by the retirement law, but a local board of education may request retirement at age 70.

10. Requirement Benefit Formulae

A. Normal Retirement and Early Retirement

For both normal and early retirement before 1959, the pension part is computed as follows: 1/100 of final average salary (best three consecutive salary years) for each year of credited service through 25 years; plus 1/120 of final average salary for each year of credited service beyond 25 but not beyond 35, provided this plan was elected and contributed for by the member; plus 1/140 of final average salary for each year of New York State credited service beyond the 35th, provided age 60 is attained by the retirement date; plus 1/140 of the final average salary for each year of credited service prior to 1921. After 1959 the formula is 1/2 or 1/50–1/70, that is 1/50 of final average salary for the first 25 years, 1/60 of final average salary for each of the next 10 years and 1/70 of final average salary for each year beyond 35.

11. Death and Survivorship Benefits

Upon the death of a member before retirement or withdrawal, his accumulated contributions (deposits with interest) are payable to his beneficiary. In addition, a death benefit is payable if the member had credit of at least one year of New York State service, was on a school payroll and

was paid a salary within 12 months prior to death, and was not otherwise gainfully employed. The death benefit amounts to 1/12 of the compensation earnable by the teacher during the last 12 months of service while a member, for each year, not to exceed 12, of New York State service to his credit in the retirement system, plus an additional benefit amounting to 1/24 of the earnable salary for each year of credited New York State service starting with the 13th year through the 36th. If the member was eligible for early or normal retirement, the beneficiary receives the regular death benefit or the reserve to pay the pension portion of the allowance, whichever is greater.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Social Security on a supplemental basis.
B. Investments in common and preferred stocks.
C. Teachers may participate in retirement fund investment.
D. No compulsory age of retirement, but a local board of education may request retirement not before but after age 70.

14. Recommendations for Improvement of the System

A. Investment return on new money of at least 9%.
B. Vesting after five years at any age.
C. Opportunity to purchase fifteen years of out of state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
F. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

NORTH CAROLINA
Teachers' and State Employees' Retirement System of North Carolina

1. Administrative Structure

The Board of Trustees consists of the state treasurer and the superintendent of public instruction, ex officio, and six members appointed for four-year terms by the governor and confirmed by the Senate of North Carolina. One of the appointive members is a member of the teaching profession; one, an employee of the State Highway Commission; one, a general state employee; one, a representative of higher education; one, a retired teacher or state employee who is drawing a retirement allowance; and three who are not members of the teaching profession or state employees. Trustees are paid $7 per day during sessions of the Board and are reimbursed for expenses.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute at the rate of five percent of the portion of compensation not in excess $5,600. There is no provision for additional voluntary contributions to provide for voluntary supplemental benefits.

B. Employer

The bulk of the public share of the contribution comes from the state, although additional contributions are made by self-supporting agencies, from local-school funds, and from federal grants. The rate of contribution is 8.95 percent of gross salaries for all employees. Employer contributions are not credited to members' accounts but are included in the calculation of retirement benefits. Appropriations are granted biennially an annual basis at the rate indicated above. The most recent appropriations were $71,619,609 for 1969-70 and $76,642,376 for 1970-71 (subject to adjustment).

C. Interest is credited annually on members' accumulated contributions at the rate of four percent. The rate is set by the retirement board, but is subject to statutory limitations of three percent minimum and four percent maximum.

3. Investments

Retirement system funds may be invested in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the Federal Intermediate Credit Banks, Federal Home Loan Banks, Federal National Mortgage Association, Banks for Cooperatives, Federal Land Bank, International Bank for Reconstruction and Development, and Inter-American Development Bank; obligations of the state of North Carolina; general obligations of other states of the United States; of cities counties, and special districts in North Carolina; obligations of any corporation within the United States if such obligations bear one of the three highest ratings of at least two nationally recognized rating services; FHA insured notes secured by mortgages on real estate located within the state of North Carolina or debentures which are guaranteed as to principal and interest by the United States or its agencies or

by FHA; shares of any building and loan association organized under the laws of this state or of any federal savings and loan association having its principal office in this state, to the extent that such investment is insured by the federal government or any agency thereof; and common and preferred stocks to a maximum of fifteen percent of the total value of all invested funds of the system.

The Board of Trustees of the Retirement System has full power to invest and reinvest funds. With respect to investment in stocks, the Chairman of the Board of Trustees appoints an investment committee consisting of five members, three of whom are members of the Board of Trustees and two of whom are not. The committee has such powers and duties as the Board of Trustees may prescribe.

As of June 30, 1969, total investments, exclusive of cash, were $782,012,015; cash on hand was $2,153,595.

4. Social Security Coverage

Social Security was adopted in 1956, and became effective as of January 1, 1955. Coverage is state-wide and includes all employees. The bulk of the employer's share of the Social Security tax comes from the state although additional tax is paid by self-supporting agencies, from local school funds, and from federal grants. Social Security coverage was adopted on a coordinated basis.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number Of Retirees And Benefits Paid

As of December 31, 1968, the total number of retirants and survivors receiving benefits was 12,078. The median annual retirement allowance was $1,550. During the last retirement year 1968, 1,628 members retired.

7. Creditable Service

A. Military Service credit is allowed, generally, at no cost to the member, provided he was in state service immediately prior to his entry on military duty and that he returned to state service prior to October 1, 1952, or he devotes not less than ten years of service to the state after honorably discharged from military service.

B. Leave of Absence
Credit is allowed for time spent on approved leave of absence for training purposes to a maximum of two years, provided the member contributes at the regular rate based on salary in effect at the time the leave began and retuns to state service at the expiration of the leave.

8. Mobile Teacher

A. Purchase of Out-of-State Service
No out-of-state teaching credit is allowed.

B. Vesting and Deferred Allowance
Benefits vest after twelve years' service. Deferred benefits are payable at age 60 to members who separate from service, except for death or disability, prior to age 60 with twelve or more years of creditable service, provided total accumulated contributions are left in the system.

The allowance is calculated as a service retirement allowance at age 60 on the basis of the actual creditable service.

9. Requirements for the Right to Retire

A. Normal Retirement
Any member who continues in active service who has attained the age of 60 may retire.

B. Early Retirement
Earliest retirement is at age 50 after 20 years of creditable service.

C. Disability Retirement is available to members with at least ten years of creditable service.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 65. Upon the recommendation of the employer, the retirement board may approve continuance is service for one additional year after each such annual recommendation and approval.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula provides for an annual allowance equal to the sum of 1¼ percent of the portion of average final compensation not in excess of $5,600, plus 1½ percent of the portion of such compensation in excess of $5,600, multiplied by the number of years of creditable service. Average final compensation is the average of the highest five consecutive calendar years in the last ten calendar years of service. A minimum of $840 is payable annually to members who retire with 20 years or more of service. For the purpose of calculating retirement benefits only, one month of credit is allowed for each 20 days or portion thereof of unused sick leave at time of retirement. This is not allowable for calculating the early retirement allowance or the vested deferred allowance.

B. The early retirement allowance is the actuarial equivalent of the deferred retirement allowance otherwise payable at age 60.

C. Disability Retirement
If the member is age 60, he receives a service retirement allowance. If the member is under age 60, he receives a disability allowance which is equal to the service allowance which would be payable at age 65, minus the actuarial equivalent of the contributions he would have made during such continued service. The mental or physical incapacity must appear to be permanent, although it need not be service-incurred.

11. Death and Survivorship Benefits

Upon the death in service of members under age 65 who have at least one full calendar year of membership credit a death benefit is payable equal to the members' compensation for the preceding calendar year, not to exceed $15,000. A member is deemed to be in service at his death if his last day of actual service occurred not more than 90 days before the date of his death, provided that he has not retired and refund of his contribution has not been made. The Board of Trustees is authorized to purchase a group life insurance contract for this purpose but has not elected to do so as yet. Any member (approaching retirement) may elect to receive his benefits in a retirement allowance payable throughout life, or he may elect to receive the actuarial equivalent of such retirement allowance in a reduced allowance payable throughout life under the provisions of one of several options. The most popular options are:

Option 1
Reduced allowance, with payment of part of member's accumulated contributions if he dies within ten years of retirement.

Option 2
Reduced allowance continued during life of beneficiary.

Option 3
One-half of reduced allowance continued during life of beneficiary.

There is available to any member in service who has attained age 55 of completed 30 years of creditable service, the opportunity to make an early election of option which would become effective and remain in effect until a final election is made. Under the early election he would:

(1) Designate a single beneficiary who would receive the Option 2 benefit (computed by assuming that the member had retired on the first day of the month following the date of his death), or

(2) Designate a single beneficiary who would have the right upon the member's death, to elect to receive either the benefit under (1) or a lump sum return of the member's accumulated contributions.

When a member who has not made an early election of option dies in service, payment of his accumulated contributions is made to the beneficiary designated by him.

12. Regularly Planned Cost of Living Adjustment after Retirement

The law provides for automatic increases in retirement allowance based on a change in the consumer price index. Such increases will be limited to three percent for one year and will require an increase of at least three percent in the consumer price index in order to become effective. The initial adjustment will apply to retirees and beneficiaries in receipt of allowances as of December 31, 1968, and will commence as of July 1, 1970, if the consumer price index increases 3 percent or more from December 31, 1968, to December 31, 1969. Each subsequent increase in allowances will become effective only if the additional liabilities on account of it do not require an increase in the total employer rate of contributions.

13. Strengths of the System

A. Investment in common and preferred stocks.
B. Teacher could participate in retirement fund investing.
C. Actuarially sound.
D. Investments are of high quality.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental basis.
B. Investment returns on new money of at least 9%.
C. Vesting after five years at age 55.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

NORTH DAKOTA
North Dakota Teachers' Insurance and Retirement Fund

1. Administrative Structure

The system is administered by a five-member board of trustees. The state treasurer and the superintendent of public instruction are ex officio members. The other three members, of whom one shall be a woman, are appointed by the governor from among members of the system. They serve for three years, beginning on the first day of July following appointment.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute as follows: three percent of salary to a maximum of $225.

B. Employer
The public share of the financing is by the employer. The employer contributes at the rate of two percent of the teacher's salary up to a contribution of $150 per year.

C. Interest
Interest is paid on members' accumulated contributions at the same rate being paid by the Bank of North Dakota on Certificates of Deposit.

3. Investments

Investments are limited by law to U. S. Government bonds, mortgages, or securities; bonds of North Dakota or any state; certain refunding bonds; and certificates of indebtedness of North Dakota or of any of its political subdivisions. All investments must be approved by the attorney general. The 1969 session of the Legislature authorized investments of up to 20 percent of assets in common stocks.

As of June 30, 1967, total investments, exclusive of cash, were approximately $23,600,000; cash on hand was $152,578.41.

4. Social Security Coverage

Social Security coverage was adopted in 1955 on a local-option basis. It is estimated that 87.8 percent of the teachers in the state are under Social Security. The employer's share of the Social Security tax is paid by the school district. The Social Security benefits are entirely supplemental to retirement allowances.

5. Tax-Sheltered Annuities

Not available to members from the system.

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6. Number of Retirees and Benefits Paid

As of June 30, 1969, a total of 1,575 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $1,067.44. During the last retirement year, 175 members retired. For this group, the median annual retirement allowance was $1,146.18.

7. Creditable Service

Military service credit is allowed if at the time of entry into military service the member was teaching in North Dakota or attending school in North Dakota to better his teaching qualifications following teaching service in North Dakota. The member must pay his own and the employer's contributions to obtain the credit, but no interest is charged. Credit for military service formerly rejected may be requested when such service together with other credited service aggregates 25 years.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Any and all out-of-state teaching service is creditable, provided the member pays his and the school district's matching contributions, plus five percent interest from date of service to date of payment, plus assessment shortages caused by inclusion of out-of-state service, plus interest from shortage to date of payment.

B. Vesting and Deferred Allowance
None.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 55 with 25 years of creditable service, of which eighteen years, including the last five, must have been public-school teaching within North Dakota. A member continues to make contributions for as long as he remains in service.

B. Early Retirement is available under a reduced single life annuity at age 55 with at least ten years of teaching service in North Dakota.

C. Disability Retirement is available at any age to a member with fifteen years of service in the state.

D. Compulsory Retirement is not required by the retirement law. Local school boards may fix the retirement age. Some city systems require retirement at age 65, and some state institutions of higher learning have set age 70 for compulsory retirement.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula for a single life annuity is two percent of total earnings for the first 25 years of service with a minimum of $900, plus $125 per year of teaching service beyond 25 years until a maximum of $1,500 is attained plus $75 for each year of teaching service beyond the $1,500 to retirement. A teacher who has reached age 65 and has made contributions for at least 25 years receives a minimum annuity of $1,200 per year.

B. Early Retirement
The annuity is two percent of total earnings, with a minimum of $300 per year, pro-rated on years of service. No less than ten years service in North Dakota.

C. Disability Retirement
The allowance is two percent of total earnings to a maximum of $1,200 annually, with a minimum of $300 annually.

11. Death and Survivorship Benefits

A lump sum refund of the member's accumulated contributions is made to the named beneficiary if the member dies in active service or before retirement.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Social Security on a supplemental basis.

B. Teachers could possibly participate in fund investing.

14. Recommendations for Improvement of the System

A. Investment returns on new money of at least 9%.

B. Vesting after five years at age 55.

C. Opportunity to purchase fifteen years of out of state service.

D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.

F. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.

H. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.

I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

K. A lump sum death burial benefit of $1500.

L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

OHIO
The State Teachers Retirement System of Ohio

1. Administrative Structure

The system is administered by a board consisting of the state superintendent of public instruction, the state auditor, and the state attorney general, who serve ex officio, and two elected teacher members who must be members of the retirement system.

Biennially in May, a teacher member is elected by ballot from among the membership. Candidates are nominated by petition signed by at least 500 members, provided there are signatures of at least 20 members from each of ten counties. Vacancies in the terms of teacher members are filled by the remaining board members for the unexpired term. Teacher members serve for four years; the terms of ex officio members are not controlled by the retirement statute.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenues. Members presently contribute at the rate of 7.8 percent of total compensation. Any future adjustments required in total contributions are to be divided equally between members and employers. Maximum annual compensation on which deposits are made is not limited.

Additional deposits may be made by the member to provide additional annuity income at retirement.

B. Employer

The contributions of the employer for all local public school districts are collected through the state of Ohio from monies allocated to local schools under the State School Foundation program. This payment is made monthly to the retirement system prior to the distribution of state school aid to the districts. University employers and other employers are billed directly for their contributions.

The current employer rate is 12.9 percent of total payroll. Contributions of employers are placed in an employee trust fund and are not credited to the accounts of active members. At retirement, the member's deposits with interest are transferred to the pension reserve fund; a sum sufficient to the additional amount is transferred from the employers' fund to the pension reserve fund. This total with interest provides the full reserve for all benefits.

C. Interest

Current interest at various rates was credited annually to the members' accounts to August 31, 1959. Since then no such direct credit of current interest has been made annually, but interest is credited at time of retirement. The interest rate is recommended by the actuary and approved by the retirement board. The retirement law requires that the interest rate assumed shall not be less than 3¼ percent. The present rate of retirement interest is four percent.

3. Investments

The retirement board has authority to invest in U. S. Government obligations, municipal bonds of Ohio and of the other 49 states, Canadian bonds, corporate bonds; FHA and VA-insured mortgages, common and preferred stocks, and productive real estate.

Publicly issued bonds must be rated A or better by at least two of the three standard rating services and privately issued bonds must be rated as A or better by one standard rating service to be eligible for purchase. Investments in stocks are limited to 25 percent of total assets, and in real estate to twelve percent of total assets.

The retirement board is responsible for investments, and all securities are held in the name of the board. The state treasurer is the custodian of funds.

As of August 31, 1968, total investments, exclusive of cash, were $1,350,000,000; cash on hand was $966,000. In addition, accrued interest receivable amounted to $9,236,000.

4. Social Security Coverage

None.

5. Tax-Sheltered Annuities

Since September 1964, tax-sheltered annuities have been available to members through the retirement system. A separate account is maintained for tax-sheltered deposits, and a separate statement is sent to the member at the end of the fiscal year. Such deposits may be refunded prior to retirement or may be used at retirement to purchase an annuity.

6. Number of Retirees and Benefits Paid

As of August 31, 1968, a total of 25,432 retirants and survivor beneficiaries were receiving benefits; included in this figure are 773 disability retirants. In addition 1,199 survivors of members who died in service were receiving survivor benefits. The average annual retirement allowance for the 24,233 service and disability retirants was $3,132.

During the last retirement year (September 1, 1967, to August 31, 1968) a total of 2,219 members retired, including 77 disability retirants. For this group, the average annual retirement allowance was $4,126; for the 1,773 service retirants, who retired from active service, the average was $4,769.

7. Creditable Service

Military service credit is considered the equivalent of prior service. The maximum allowed is ten years, at no cost to the member. The member must enter military service from active teaching service and must return to Ohio public service within two years after discharge and establish one year of service credit before such military service may be credited as the equivalent of prior service. Credit is given whether military service is voluntary and whether in time of war or peace.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Credit may be purchased for out-of-state teaching service or public service rendered in any state, territory, or possession of the United States, or the District of Columbia. This service may be used to help meet the minimum eligibility requirement for retirement, but does not have the value of Ohio service for determining monthly benefit.

B. Vesting and Deferred Allowance

Deposits of members vest immediately. Employer contributions become vested upon payment of retirement or survivor benefits. A deferred allowance is payable at age 60 with five years of service, or at age 55 through

59 with 25 years of service. Such service may include credit purchased for out-of-state service. The benefit formula for deferred retirement is computed under the normal formula for members with three years of service in the ten year period immediately prior to retirement. For members who do not meet this service requirement, the accumulated deposits with compound interest are matched by the employer to determine the benefit on a money-purchase basis.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65 with at least five years of service credit, or at any age with 35 years of service.
B. Early Retirement is provided at age 55 and with 25 years of service, or at age 60 with at least five years of service.
C. Disability Retirement is available to a member at any age under 60 with at least five years of Ohio service.
D. Compulsory Retirement
There is a provision that an employer may terminate a member's employment at the end of the contract year in which age 70 is attained.

10. Requirement Benefit Formulae

A. Normal Retirement
The minimum allowance is $82 times years of Ohio service credit. The maximum allowance is 85 percent of final average salary. The retirement system makes available to the retirant and his or her spouse, hospital insurance substantially equivalent to federal hospital insurance (Medicare Part A). The retirement system will pay one-half the premium for this insurance, and the retirant will pay one-half by deductions from the retirement benefit.
B. Early Retirement
The benefit is 60 percent of the normal retirement formula. The full service benefit is provided at any age with 35 years of service credit.
C. Disability Retirement
The formula is 1.9 percent of the average salary for the five highest years (or $82 if greater) times the number of years obtained by adding the member's years of service credit and the years until his attainment of age 60, or 60 percent of his average salary – whichever is less.

11. Death and Survivorship Benefits

If the deceased member had 1½ years of Ohio service credit, one-fourth year of which was earned in the two-year period prior to death, certain qualified beneficiaries may exchange the amount in the member's account for monthly benefits, as follows: A widow or financially dependent widower with the care of one child of the decedent under age eighteen receives a monthly benefit of $186; and with two or more children under eighteen, $236 per month; a widow or financially dependent widower at age 50, if member and fifteen years' Ohio service, receives $106 per month; a widow age 62, or widower age 65, receives $96 per month; a financially dependent orphan child under age eighteen receives $96 per month, two such children, a total of $162 per month, three such children, $228 per month, and four such children $234 per month. Each financially dependent parent age 65 receives $96 per month.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Investments in common and preferred stocks.
B. Teacher participation in retirement fund investing.
C. Vesting after five years deferred allowance at age 60.
D. Purchase of unlimited out-of-state service.
E. Maximum retirement allowance is 85% of final average salary.
F. Hospital insurance for retirants equivalent to Medicare Part A.

14. Recommendations for Improvements of the System

A. Social Security on a supplemental basis.
B. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
C. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
D. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
E. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
F. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
G. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
H. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
I. A lump sum death burial benefit of $1500.
J. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

OKLAHOMA
Teachers' Retirement System of Oklahoma

1. Administrative Structure

The system is administered by a nine-member board of trustees. There are four ex officio members, the state superintendent of schools, the state treasurer, the state insurance commissioner, and a member of the Oklahoma Tax Commission. The other five members are from the teaching profession and are appointed by the governor and confirmed by the senate. These appointees serve five-year terms.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute four percent of salary to a maximum of $12,000 annually. The member may make additional voluntary deposits in the Oklahoma Teacher Deposit Fund in multiples of $25 for the purchase of annuity. The annuity deposits are not matched by the employer.

B. Employer

The public share of the contributions is by the state through dedicated revenue to the teachers' retirement system. The state contributes approximately 50 percent of the benefits.

C. Interest on the member's accumulated contributions is credited on June 30 of each year. The retirement law provides that the rate cannot be less than 2½ percent or more than 4 percent. The Board of Trustees sets the rate within these limits. The current rate is four percent.

3. Investments

The board of trustees has full power to invest and reinvest the teacher retirement funds in bonds, notes, or other evidences of indebtedness issued, assumed, or guaranteed as to principal and interest by the United States of America; obligations of the state of Oklahoma or those for the payment of which the faith and credit of the state is pledged; bonds of any other state or of counties, or cities, or school districts of Oklahoma or of any other state, provided there has been no default in the payment of principal or interest on their bonds within a period of ten years; bonds of the District of Columbia; bonds, notes, debentures, or equipment trust certificates which are the direct obligations of a railroad or industrial corporation, or a corporation engaged directly and primarily in the production, transportation, distribution, or sale of electricity or gas, or the operation of telephone or telegraph systems or waterworks. Investments may be made up to 20 percent in common stocks not to exceed two percent of net retirement funds in any one corporation.

As of June 30, 1967, total investments, exclusive of cash, were $107,636,365; cash on hand was $156,134.

4. Social Security Coverage

The Social Security Enabling Act passed by the state legislature in 1955 permitted local school districts to vote on Social Security coverage for their employees. To date, 92 % of 1,100 school districts and 92 percent of all teachers in Oklahoma are covered by Social Security.

The local school district pays the employer's share of the Social Security tax. Social Security benefits are entirely supplemental to retirement allowances.

5. Tax-Sheltered Annuities

Tax-sheltered annuities are available to members from the retirement system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 5,703 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $1,544.64. During the last retirement year, 734 members retired.

7. Creditable Service

Military service is creditable to members who served during national emergencies in the armed forces as defined by the Board of Trustees. If the military service was before July 1, 1943, prior-service credit is given. If after 1943, the service is creditable provided the member makes contributions based on the salary earned in the first year of teaching after military service.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state service is creditable to a maximum of five years for teaching in the public schools, state colleges, or universities, provided the member is not receiving or is not eligible to receive retirement benefits for such service from another state.

B. Vesting and Deferred Allowance

Benefits vest after 20 years of service, and a deferred allowance is payable at age 60 or later. The benefit formula for deferred retirants is the actuarial equivalent of the normal retirement allowance payable at age 62.

9. Requirements for the Right to Retire

A. Normal retirement is at age 62 with ten years of service for members who joined the system after July 1, 1967, and age 62 with one year of service for members who joined earlier. Contributions continue until the close of the school year in which the member attains age 65.

B. Early Retirement is at age 60 with a minimum of one year of service, or at any age with 30 years of service.

C. Disability Retirement is available at any age to members with ten years of creditable service. The member must submit to a medical examination and the Teacher Retirement Medical Board must certify that he is mentally or physically incapacitated for further performance of his duties, and the incapacity is likely to be permanent.

D. Compulsory Retirement is not required by the retirement law, but other statutory provisions permit local school boards to adopt mandatory retirement regulations.

10. Requirement Benefit Formulae

A. Normal Retirement

The total allowance consists of an annuity which is the actuarial equivalent of the member's accumulated contributions plus interest, a matching pension equal to the annuity, plus a prior-service pension, if the member is eligible for one. A minimum retirement allowance of $4.40 per month times the number of years of creditable service is provided at age 62.

B. Early Retirement

The benefit is calculated as for normal retirement on an actuarial basis.

C. Disability Retirement
The benefit for disability retirement is an annuity based on the member's contributions, a pension computed as if the member had retired at age 60, plus a prior-service pension computed at age 62. The minimum allowance is $4.40 per month times number of years of service regardless of age.

11. Death and Survivorship Benefits
If a member dies while in active service, the total amount of his contributions and interest is paid to his beneficiary or to his estate.

No survivor benefits are provided for survivors of members who die in active service.

12. Regularly Planned Cost of Living Adjustment after Retirement
None.

13. Strengths of the System
A. Social Security on a supplemental basis.
B. Teacher participation in retirement fund investing.
C. Investments in common stocks to 20%.

14. Recommendations for Improvement of the System
A. New money investment returns of at least 9%.
B. Vesting after five years at age 55.
C. Opportunity to purchase fifteen years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
F. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

OREGON
The Oregon Public Employees Retirement System

1. Administrative Structure
The retirement board is composed of five members who are appointed by the governor for four-year terms. Two members may not be employed by a public employer during their terms of office. The other three members of the board must be employees of participating employers and continue to be so employed throughout the terms of their appointment.

2. Financing
A. Member
Each employee who is a member of the system shall contribute to the fund, and there shall be withheld from his salary:
(1) If his salary for a month is less than $500, four percent of that salary.
(2) If his salary for a month is $500 or more and less than $1,000, five percent of that salary.
(3) If his salary for a month is $1,000 or more and less than $1,500, six percent of that salary.
(4) If his salary for a month is $1,500 or more, seven percent of that salary.

B. Employer
In the case of school employees, the employer's share of the contribution is made by the school district. The rate of the employer's contribution is actuarially determined to provide a sufficient amount of funds to purchase the employee's pension at the time of retirement.

C. Interest is credited annually to each member's account unless separation, death, or retirement occurs, in which case a pro rata share is credited during the year. The interest rate, which is set by the retirement board, is based on actual net earnings. For the 1968 calendar year, the net rate was 4.25 percent.

3. Investments
Investments are made by the State Investment Council, which is a five-man committee composed of the State Treasurer, two appointees by the governor and two members representing the Retirement Board. Investment in common stock is now permitted. As of January 1, 1968, the total investments were $287,886,299.

4. Social Security Coverage
Social Security coverage for teachers was adopted in April 1953, retroactive to January 1, 1951. All school personnel are covered on a state-wide basis. The school districts pay the employer's share of Social Security tax. Social Security coverage was adopted on a supplemental basis.

5. Tax-Sheltered Annuities
Not available from the system.

6. Number of Retirees and Benefits Paid
As of January 1, 1969, the total number of retirants and survivor beneficiaries receiving benefits was 11,657. The

median annual retirement allowance was $684. During the last retirement year, 1,657 members retired. The median average retirement allowance of this group was $1,012.

7. Creditable Service
Military service is creditable.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Teaching in overseas dependents' schools and out-of-state service are not creditable.
B. Vesting and Deferred Allowance
After January 1, 1964, benefits vest after five years of service. No minimum number of years of service is required for vesting if the employee is within five years of the earliest retirement age at the time of separation from service. A deferred allowance is payable to all employees at age 60. The benefit formula for deferred retirants is the same as for normal retirement actuarially equated according to age at which the benefit starts.

9. Requirements for the Right to Retire
A. Normal Retirement for school employees is at the end of the school year after age 65 is reached.
B. Early Retirement is provided at age 55 for policemen and firemen and age 60 for all other employees.
C. Disability Retirement is available to members with ten years of service, provided the disability occurs prior to attainment of the compulsory retirement age. The ten year service requirement is waived in cases of service incurred disability.
D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae
A. Normal Retirement
The benefit formula is a money purchase annuity based on the member's contributions plus a formula based on years of service and top five years of salary out of last ten, plus a prior-service pension if the member is eligible for one.
B. Early Retirement
The allowance is computed as for normal retirement, and is the actuarial equivalent of what would be due at normal retirement age.
C. Disability Retirement
The disability allowance is equal to the allowance which would be payable had the member worked until the earliest retirement age. The minimum benefit is $100 per month, effective January 1, 1964.

At the time of retirement, the teacher is eligible for group hospitalization coverage. The premium is deducted from the monthly benefit check, and the teacher may include his or her spouse in the coverage.

11. Death and Survivorship Benefits
If the member dies before retirement, his beneficiary receives a basic death benefit of the member's accumulated contributions and interest. In addition, there is payable from employer funds, if there is a surviving spouse, minor children, or dependent parents, a special death benefit consisting of an amount equal to the balance in the decedent's account but not to exceed six months' salary. This is paid in a lump sum if the amount is less than $1,200 or in twelve equal installments if over $1,200.

12. Regularly Planned Cost of Living Adjustment after Retirement
None.

13. Strengths of the System
A. Teachers could participate in fund investing.
B. Vesting after five years of service deferred until age 60.
C. Investments in common stocks.
D. Supplemental Social Security.

14. Recommendations for Improvement of the System
A. A designated classroom teacher on the retirement board.
B. New money investment returns of at least 9%.
C. Opportunity to purchase at least fifteen years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
F. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

PENNSYLVANIA
The Pennsylvania Public School Employees' Retirement System

1. Administrative Structure

The system is administered by the retirement board consisting of the superintendent of public instruction, who is chairman, the state treasurer, one member appointed by the governor, three members of the system elected from among the membership, one member, not a public-school employee nor employee of the state, elected by the board for a term of one year, and the executive secretary of the Pennsylvania State School Directors' Association.

The board appoints a secretary who serves as executive officer. Regular meetings of the board are scheduled for the second Friday of each month, and special meetings are held as required. All members of the board serve without pay.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute 5½% percent of annual salary. Separate accounts of members' accumulated contributions are maintained.

B. Employer

The state and local school districts contribute at a rate determined annually by the system's actuary to be sufficient, with members' contributions, to pay the costs of the retirement allowance as they accrue. The state and the local districts pay the entire cost of the retirement allowance for prior service rendered before July 1, 1919.

C. Interest is credited to members' accounts at the rate of four percent compounded annually, and is fixed by law.

3. Investments

Investments are permitted in corporate bonds, VA and FHA mortgages, FHA projects, Capeharts, P. O. mortgages, municipals, obligations of the state of Pennsylvania and U. S. Treasury issues. The law prohibits investments in preferred and common stocks.

The retirement board has exclusive control and management of the fund, and full power to invest the fund, subject to limitation provided by law. The Treasurer of the Commonwealth is the custodian of the fund and depository for the safekeeping of all securities, and the attorney general is the legal advisor to the retirement board. The board has employed investment counsel.

As of June 30, 1967, total investments, exclusive of cash were $1,547,529,828; cash on hand was $1,456,532.

4. Social Security Coverage

Social Security coverage was adopted in 1957, retroactive to January 1, 1956. Originally, the plan was integrated on a divisional basis, with the retirement allowance reduced in accordance with the amount of Social Security benefits earned as a member of the retirement system. In 1961, legislation permitted full supplementation at the time of retirement and 1963 amendments permit full supplementation on a pay-as-you-go basis effective July 1, 1964.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 26,006 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $2,612. During the last retirement year, 2,281 members retired. For this group, the median annual retirement allowance was $2,692.

7. Creditable Service

Military service is creditable.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state service to a maximum of twelve years is creditable, provided the member purchases it.

B. Vesting and Deferred Allowance

Benefits vest after ten years of service. A deferred allowance is payable at age 62. The benefit is calculated as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with 30 years of service, or at 62 with at least five years of credited service, or at any age with 35 years of service.

B. Early Retirement is provided with 25 but less than 35 years of service for those under age 62.

C. Disability Retirement is available after ten years of service to members under age 62 who have not completed 35 years of service and who become mentally or physically incapacitated for service.

D. Compulsory Retirement is at age 70 or at the close of the school year during which age 70 is reached.

10. Requirement Benefit Formulae

A. Normal Retirement

The benefit formula is 1/60 times final salary times years of credited service. Final salary is the average annual salary for the five highest years. The minimum allowance is $65 for each year of credited service up to 40 years; this amount includes Social Security benefits earned as a member of the system.

At the time of retirement, a member may select one of several options which become payable to his beneficiary and the member then receives a reduced allowance.

B. Early Retirement

The formula is approximately 1/60 of final salary times years of service multiplied by a factor which is determined by the age of the member when application is made and the age at which the member would be eligible to receive a normal allowance.

C. Disability Retirement

The formula is 1/60 of final salary X years of service when disability occurred. But it may not be less than 33 1/3% of final salary provided benefit shall not exceed 8/9 of allowance member might have been entitled to at age 62 or with 35 years service.

11. Death and Survivorship Benefits

No survivor benefits are provided.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Options for supplemental Social Security.
B. Classroom teacher could participate in fund investing.
C. Purchase of out-of-state service to a maximum of twelve years.

14. Recommendations for Improvement of the System

A. New money returns of at least 9%.
B. Vesting after five years at age 55.
C. Opportunity to purchase fifteen years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
F. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

RHODE ISLAND
Employees' Retirement System of the State of Rhode Island

1. Administrative Structure

The system is administered by a nine-member board of trustees comprised of the state treasurer, director of business regulation, director of administration, commissioner of education, chairman of the House Finance Committee, and chairman of the Senate Finance Committee, all ex officio, and a member elected by the state employees, a member elected by the teachers, and a member appointed by the governor. The treasurer serves as chairman. Terms are for three years. The chief of the system serves as executive secretary to the board.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute as follows: teachers in state schools of higher education, five percent of total salary; teachers of the cities and towns, 6 percent of total salary, plus 1½ percent of salary to $4,800 for survivors' benefits. The cities and towns match the 1½ percent contribution for survivor benefits.

There is no provision for additional voluntary deposits for supplementary benefits.

B. Employer

Public contributions for retirement benefits are made by the state. The state must regularly appropriate enough in combination with members' contributions and interest on investments to provide the benefits. The state's appropriation for the fiscal year ending June 30, 1965, was $1,480,000.

C. Interest on accumulated contributions is not credited to members' accounts.

3. Investments

Investments may be made in any securities or investments in which sinking funds of the state of Rhode Island may be invested or in which deposits in savings banks and participation deposits in banks and trust companies may be legally invested.

The investment authority is vested in the Investment Commission. In 1969 the Board of Trustees was granted by statute the power to hire a financial consultant or to make use of a funding agent to handle investment of the retirement system.

4. Social Security Coverage

Teachers of cities and towns are not covered by Social Security except for some in cities and towns which elected Social Security before July 1, 1963. Teachers in state schools of higher education are covered by Social Security.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 1,290 teacher-retirants or their survivor beneficiaries were receiving benefits. During the last retirement year, 119 teachers retired.

7. Creditable Service

Military service is creditable under certain conditions.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state service credit is purchasable by the member to a maximum of ten years, provided it was rendered at least ten years before retirement. Teaching in overseas dependents schools is creditable as part of out-of-state service.

B. Vesting and Deferred Allowance

Benefits vest at any age after ten years of service, and a deferred retirement allowance is payable at age 60. The benefit is calculated as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60, with ten years of service, or at any age with 35 years of service. Contributions of members cease after 45 years of service.

B. Early Retirement is provided at any age with 30 years of service.

C. Disability Retirement is available at any age to members with seven years of service if the disability is non-duty connected.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70, except that the employer may grant year-to-year extensions.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is 1-2/3 percent of average compensation (average of the highest three consecutive years) times years of credited service to a maximum of 45 years. A retired teacher with 20 or more years of service is guaranteed a minimum retirement allowance of $2,000 per year.

B. Early Retirement
The allowance is the normal allowance actuarially reduced for ages under 60.

C. Disability Retirement
The member is entitled to 1-2/3 percent of average compensation for each year of service. The minimum allowance is 25 percent of average compensation.

If disability is duty-connected, the member, regardless of age or years of service, is entitled to 66-2/3 percent of salary at the time of disability, reduced by workmen's compensation payments. For members who entered service after age 45, the allowance is limited to the amount of a normal retirement allowance which would have been payable had he remained in service until age 60.

11. Death and Survivorship Benefits

If a deceased member has contributed to the survivors' benefit fund for six consecutive months prior to death or retirement and leaves a widow and no children, the widow receives a survivor benefit at age 62 ranging from $48.70 per month to $104.80, depending upon the last annual salary of the member. Benefits for widows with children under eighteen range from $88.50 per month to a widow with one child to $254.00 per month to a widow with three or more children, depending on the last annual salary of the member. When the youngest child reaches eighteen, the widow is entitled to receive a widow's annuity at a reduced rate.

Survivor benefits are also available to children under age eighteen when there is no widow and to dependent parents when there is no widow or child under eighteen. This occurs provided the parents are 65 and not entitled to Social Security benefits based on their own earnings which are greater or equal to the retirement system's survivor benefit.

If a member dies in active service without leaving dependents eligible for benefits, his contributions to the survivors' benefit fund plus interest is payable to his estate. A member with five years of service who withdraws from the system is entitled to a refund of his contributions to the survivors' fund plus interest. There is no refund if service is less than five years.

12. Regularly Planned Cost of Living Adjustment after Retirement
None.

13. Strengths of the System

A. Classroom teacher could participate in fund investing.

B. Investment in common and preferred stocks.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental basis.

B. New money investment returns of at least 9%.

C. Vesting after five years at age 55.

D. Opportunity to purchase fifteen years of out-of-state service.

E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.

G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.

I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.

J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

L. A lump sum death burial benefit of $1500.

M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

SOUTH CAROLINA
South Carolina Retirement System

1. Administrative Structure
The system is administered by the State Budget and Control Board composed of the governor, state treasurer, comptroller general, chairman of Senate Finance Committee, and the chairman of House Ways and Means Committee.

2. Financing
A. Member
Benefits are financed jointly by member contributions and public revenue. Members of Class 2 (which includes all school employees) contribute at the rate of four percent of annual salary up to $4,800 and at the rate of six percent of salary above $4,800. There is no provision for additional voluntary contributions for supplementary benefits.
B. Employer
The employer's contributions for teachers and other employees of the public schools are paid by the state in an annual appropriation. The state contributes at the rate of 7.5 percent of salary. The appropriation for the fiscal year 1966-67 was $18,197,608.
C. Interest at four percent compounded annually is credited on the balance in the member's account at the end of the preceding fiscal year. The rate is set by the retirement board.

3. Investments
The state treasurer is custodian of the funds of the system. Investments are limited to obligations of the federal government, the state of South Carolina, and its political subdivisions, and certain stocks and bonds.

As of June 30, 1967, total investments (exclusive of cash) were $284,559,103; cash on hand was $10,996,503.

4. Social Security Coverage
Social Security coverage was adopted in 1955 and became effective July 1, 1955. Coverage is state-wide and includes all employees. The employer's share of the Social Security tax is paid by the state. Social Security coverage was adopted on a coordinated basis.

5. Tax-Sheltered Annuities
Not available from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1967, a total of 7,225 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $1,058.52. During the last retirement year, 857 members retired. The median annual retirement allowance for this group was approximately $1,400.

7. Creditable Service
Military service rendered prior to July 1, 1945, is fully creditable at no cost to the member. Credit is granted for military service rendered after July 1, 1945, provided the member makes regular contributions for the period of such service.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Out-of-state service is creditable at no cost to the member for service prior to July 1, 1945. Credit for out-of-state service after July 1, 1945, is provided if the member makes regular contributions for it. The employer annuity granted for this service is the ratio which the member's South Carolina service bears to twice the number of years of out-of-state service.
B. Vesting and Deferred Allowance
Benefits vest after fifteen years or more of coverage, and a deferred allowance is payable at age 60. The member's contributions earn interest at the rate of three percent compounded annually. The benefit is a money-purchase annuity or an annuity based upon the formula using average final compensation calculated as for normal retirement.

9. Requirements for the Right to Retire
A. Normal Retirement is at age 65 with no service requirements. The member continues to make contributions for as long as he remains in service.
B. Early Retirement is provided at any age with 35 years of service.
C. Disability Retirement is available to members with ten years of service. If the member is age 60, he receives a service allowance.
D. Compulsory Retirement
The retirement law specifices compulsory retirement at the close of the fiscal year in which the member reaches age 72.

10. Requirement Benefit Formulae
A. Normal Retirement
The benefit formula is one percent of the average salary of the best five consecutive fiscal years of salary in the last ten years immediately preceding retirement, not in excess of $4,800 plus 1½ percent of the portion of the average salary over $4,800, multiplied by the number of years of service. Persons who were members of the system prior to July 1, 1964, receive the larger of the benefit computed under this formula or under the money-purchase formula based on the member's accumulated contributions plus interest, and a matching pension plus a prior-service allowance.
B. Early Retirement
The benefit is calculated as for normal retirement, but the allowance is reduced by 5/12 of one percent for each month by which the retirement date precedes age 65.
C. Disability Retirement
If the disabled member is under age 60, the disability benefit is that which would have been payable had he continued in service to age 60 at the same compensation, less the actuarial equivalent of the contributions he would have made during such continued service.

11. Death and Survivorship Benefits
The member's accumulated contributions plus accumulated interest are refunded to the beneficiary or to the estate of a member who dies in active service. If a member dies before retirement after he reaches age 65, or completes 35 years of service, or reaches age 60 with 20 years of service, the designated beneficiary may apply for a joint and last survivorship annuity as provided by Option 2.

12. Regularly Planned Cost of Living Adjustment after Retirement
None.

13. Strengths of the System

A. Purchase of out-of-state service.
B. Compulsory retirement age 72.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental basis.
B. Teacher participation in fund investing.
C. New money investment returns of at least 9%.
D. Vesting after five years at age 55.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of eduction may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

SOUTH DAKOTA
South Dakota State Teachers' Retirement System

1. Administrative Structure

The system is administered by a board of seven members consisting of the state treasurer, the state auditor, the state superintendent of public instruction, and the commissioner of insurance; and three workers appointed by the governor, one member from the State Board of Education, and two persons at large. These three appointees serve for a term of five years.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 3½ percent on the first $6,000 of salary each year. There is no provision for additional voluntary contributions for supplementary benefits.
B. Employer
The local employer (school district) matches the 3½ percent contribution of the member. Administrative expenses of the system are paid from earned income.
C. Interest on member's contributions is compounded annually at the rate of 4 percent and is credited to the member's account. The interest rate is fixed by the Board of Trustees.

3. Investments

Investments may be made in direct and indirect obligations of the U. S. Government, direct obligations of the Farmers Home Administration, and Federal Housing Administration; obligations of these U. S. Government instrumentalities: federal land banks, federal intermediate credit banks, federal home loan banks, and federal national mortgage associations; direct obligations of the state of South Dakota or any of its political subdivisions; and notes, bonds, or debentures which are direct obligations of domestic utility corporations—electricity, gas, or telephone and telegraph, provided the obligations of these corporations are rated in the highest or next highest classification by at least two standard rating services from a list of standard rating services; and common and preferred stock of the same utility companies which have paid dividends the past ten years and are registered on a National Securities Exchange, to a maximum of 30 percent at cost and not more than ten percent annually.

As of June 30, 1967, total investments, exclusive of cash, were $12,581,247; cash on hand was $16,878.

4. Social Security Coverage

Social Security coverage was adopted in 1951. All school employees are covered. The local school districts pays the employer's share of the Social Security tax. Social Security benefits are fully supplemental to the retirement allowance.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 513 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance was $332.10; the average annual allowance was $334.80. During the last retirement year, 89 members retired. For this group, the median annual retirement allowance was $324.48. The average allowance was $383.16.

7. Creditable Service

A. Military service is creditable to a maximum of five years if the member interrupted his South Dakota teaching service for this purpose and returned to teaching within one year after discharge from military service.
B. Leave of Absence
Up to one year of credit is allowed for sabbatical leave granted the member by his employer, provided the member returns to teaching, and pays for this credit at double the ordinary contributions.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state teaching services are not creditable.

B. Vesting and Deferred Allowance
Benefits vest after 25 years of credited service. The benefit formula for the deferred allowance is the same as for normal retirement. The deferred allowance is available at age 62, but there is a reduction for each month the member is under age 65.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65 with fifteen years of service, with the service requirement reduced one year for each year between the ages of 65 and 70. A member may continue teaching beyond age 70, but his contributions cease and his benefits are frozen at that age.
B. Early Retirement is at age 60 with 20 years of service. The service requirement is reduced one year for each year the member is over age 60.
C. Disability Retirement is available at any age with ten years of service for total and permanent disability preventing the member from continuing his present position.
D. Compulsory Retirement
There is no compulsory retirement age, but contributions cease and no service credit granted after the close of the school year in which age 70 was attained.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is one percent of final average salary up to a maximum of $4,800, times number of years of membership service from July 1, 1959, through June 30, 1967, plus 0.002 percent of final average salary times years of credited prior service, plus one percent of final average salary to a maximum of $6,000 for service after July 1, 1967. Final average salary is the average of the highest five consecutive years of membership service in the last ten years of service.
B. Early Retirement
The retirement allowance is figured as for normal retirement less 1/2 of one percent for each month the member is under age 65.
C. Disability Retirement
The disability allowance is calculated as for early retirement, but the maximum reduction is 30 percent.

11. Death and Survivorship Benefits

If a member who is not yet eligible for normal or early retirement dies in active service, the beneficiary or legal representative receives a refund of the member's contributions, including interest, plus a matching amount not to exceed $1,000 from the employer's contributions.

If a member who is eligible for normal or early retirement dies in active service, the beneficiary shall qualify for the refunds described above, unless the member designated a beneficiary who was dependent upon the member for more than 50 percent of his support and selected Option A prior to death. In this event, the regular annuity shall be paid until the adoption, marriage, death, or attainment of age 20 by the designated beneficiary.
If the member who is eligible for normal or early retirement dies in active service, the surviving widow or widower may receive the above described refunds or a regular annuity under Option A. The widow or widower must be dependent upon the deceased member for at least 50 percent of his or her financial support. In this case, the member will be deemed to have retired the day before death and selected Option A. The regular annuity will be paid until the remarriage or death of the surviving widow or widower.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Social Security on a supplemental basis.
B. Purchase of common and preferred stocks to a maximum of 30%.
C. Teacher could possibly participate in fund investing.

14. Recommendations for Improvement of the System

A. Teacher representatives designated on retirement board.
B. Investment returns of new money of at least 9%.
C. Vesting after five years at age 55.
D. Opportunity to purchase 15 years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

TENNESSEE
The Tennessee Teachers' Retirement System

1. Administrative Structure

The system is administered by an eight-member Board of Trustees including two ex officio members, the state commissioner of education, and the state treasurer. The other six members are appointed by the governor for three-year staggered terms. Three of the six are members of the teaching profession and must be appointed from a list of those nominated by the Representative Assembly of the Tennessee Education Association.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members of the Class A division (with Social Security coverage) contribute three percent of annual salary up to $4,800, plus five percent of salary in excess of $4,800 to date of retirement. Members of the Class B division (without Social Security coverage) contribute five percent of full salary, with a choice of discontinuing contributions upon (a) attaining age 60, and (b) establishing at least 35 years of retirement credit. There is no provision for additional contributions for supplementary benefits.

B. Employer

The state pays the entire share of the public contribution. The annual current rate is 3.54 percent of total salaries of all Class A members for the preceding school year and 5.87 percent of total salaries of all Class B members for the preceding school year. A new Class A member's contributions are matched to age 65. The contributions of transfer Class A members and Class B members are matched to age 63. The state's share of the contributions to the retirement system is maintained in a separate fund. When a member retires, his contributions and the state's contributions based upon the member's service are transferred to the Retirement Reserve Fund. The state's appropriation for teacher retirement for the 1965-66 school year was $9,147,000, exclusive of the Social Security cost for Class A members which is paid by a separate state appropriation.

C. Interest on a member's accumulated contributions is credited on June 30 of each year on his accumulated balance on the previous June 30. The current interest rate is four percent. The rate is fixed by the Board of Trustees. It cannot be less than three percent or more than six percent.

3. Investments

Investments are permitted in bonds issued by the federal government, the state of Tennessee, or its counties and municipalities. The Board of Trustees may invest in corporate bonds and debentures rated "A" or higher or in corporate bonds and debentures approved by the State Department of Insurance and Banking. Funds may be invested in common and preferred stock rated "A" or higher, up to two percent in any one year, and ten percent over all. The Board of Trustees is responsible for all investments.

As of June 30, 1965, total investments, exclusive of cash were $134,227,082; cash on hand was $456,916.

4. Social Security Coverage

Social Security coverage was adopted on a divisional basis, effective January 1, 1956. Class A division comprises the teachers who elected Social Security coverage. Members who elected to remain in the old plan without Social Security are in the Class B division. All new members must automatically become members of the Class A division.

Social Security coverage is state-wide. Approximately 70 percent of the teachers are included. The state pays the employers' share of the Social Security tax.

Social Security coverage was adopted on a coordinated basis.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1965, a total of 4,000 retirants and survivor beneficiaries were receiving benefits. During the last retirement year, 350 members retired.

7. Creditable Service

Most military service is creditable. Included is service in time of war or national emergency, and all drafted service in peace time, provided the member enters or returns to teaching in the public schools of Tennessee within the prescribed time and establishes military service credit. The credit is provided without cost to the member.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Teaching in overseas dependents schools and out-of-state service are not creditable.

B. Vesting and Deferred Allowance

Benefits vest after fifteen years of creditable service, and a deferred allowance is payable at age 60. The deferred allowance is determined on a money-purchase plan based upon the member's contributions and the state's contributions, plus interest.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with no service requirement.

B. Early Retirement is provided at any age with at least 30 years of creditable service.

C. Disability Retirement is available at any age to a member with at least ten years of creditable service.

D. Compulsory Retirement

The retirement law provides for compulsory retirement at the end of the school year in which age 65 is attained. The employer may waive this provision each year to the end of the school year in which the member attains age 70.

10. Requirement Benefit Formulae

A. Normal Retirement

The benefit formula is a money-purchase plan, with the retirement allowance determined by the amount of the member's accumulated contributions, the state contributions, and life expectancy of the member at time of retirement. A member who transferred to Class A will receive a reduced allowance after age 65 in addition to whatever he receives from Social Security regardless of the retirant's age when the Social Security benefits begin.

B. Early Retirement

The benefit formula is the same as for normal retirement.

C. Disability Retirement
The disability allowance is a teacher annuity based on the member's contributions plus 75 percent of the state annuity that would be payable to the member had he remained in service to age 60 without a change in compensation. A Class A member will receive a reduced allowance after age 65 in addition to the Social Security benefits regardless of the retirant's age when the Social Security benefits begin.

11. Death and Survivorship Benefits
Upon death of a member in active service, a lump sum payment of his accumulated contributions is payable to his designated beneficiary or to his estate. However, a member age 60 or with 30 years of service credit may elect an option and remain in service with the understanding that if he dies in active service, he will be considered as having retired on the date of death, and monthly benefits will be paid to his designated survivor-beneficiary. No other survivor benefits are available.

12. Regularly Planned Cost of Living Adjustment after Retirement
Effective July 1, 1969 and each succeeding July 1, allowances of retirants increased 1½ percent per year after age 65 and not to exceed 30 percent of initial retirement allowance.

13. Strengths of the System
A. Investment in common and preferred stocks to 10%.
B. Classroom teachers could possibly participate in fund investing.

14. Recommendations for Improvement of the System
A. Social Security on a supplemental and not coordinated basis.
B. Classroom teacher designated on retirement board.
C. New money investment returns of at least 9%.
D. Vesting after five years at age 55.
E. Opportunity to purchase fifteen years of out-of-state service.
F. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
G. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
H. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
I. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
J. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
K. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
L. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
M. A lump sum death burial benefit of $1500.
N. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

TEXAS
Teacher Retirement System of Texas

1. Administrative Structure
The Board of Trustees consists of seven members. Three are appointed by the governor, with the advice and consent of the senate, for a six-year term with one term expiring every two years. One member is appointed for a six-year term by the state board of education subject to confirmation of two-thirds of the senate. Three members are appointed by the governor from a slate of three teacher-members nominated by the membership of the system by written ballot.

2. Financing
A. Member
Benefits are financed jointly by members' contributions and public revenue. Members contribute at the rate of six percent of annual salary to a maximum of $8,400. There is no provision for voluntary contributions for supplemental benefits.
B. Employer
The state matches the member's contributions. The employer's contributions are not credited to the individual member's account. The state appropriation for 1967–68 is estimated to be $68.8 million.
C. Interest at the rate of 2½ percent per year is credited to members' accounts. The rate is fixed by the retirement law.

3. Investments
The retirement funds may be invested in U. S. Government or Agency securities and guaranteed loans, state and municipal bonds, corporate debt obligations and common stocks. The fund is managed by the Board of Trustees through an investment department of the Teacher Retirement System. Professional investment counsel is retained, and an investment advisory committee from the Texas Financial community advises the Board on policy.

As of June 30, 1967, total investments, exclusive of cash were, $1,043,499,025; cash on hand included $11,950,000 in short-term notes and $224,103 in cash.

4. Social Security Coverage
Social Security coverage was adopted in 1956. All employees of colleges and universities are covered. The state pays the employer's share. Local school districts may cover school employees with Social Security on a local-option basis. The local school district pays the employer's portion of the Social Security tax. Social Security benefits are fully supplemental to the retirement allowances.

5. Tax-Sheltered Annuities
Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 23,428 retirants and survivor beneficiaries were receiving benefits. The median annual retirement allowance is estimated at $1,743. During the year ending June 30, 1967, a total of 2,140 members retired. The median annual retirement allowance for this group is estimated at $2,370.

7. Creditable Service

Military service credit may be purchased if the member was called to active duty from covered employment for duty in World War II, the Korean War, or is called to active duty in subsequent periods of national emergency. A member may purchase up to five years of World War II military service if his first employment in a covered position was not until after the military service. Prior-service credit is given for World War II service.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Credit for eligible out-of-state service in public schools or colleges may be obtained at an annual cost of twelve percent of annual salary to a maximum of $8,400 of the member's first year of teaching in Texas after the out-of-state service and after September 1, 1956. No out-of-state service may be used to compute benefits until the member has ten years of creditable Texas service. One year of out-of-state service may be purchased for two years of Texas service, to a maximum of ten years of out-of-state service.

Transfer of service and funds of teacher members and auxiliary members is permitted between the Teacher Retirement System and the State Employees Retirement System.

B. Vesting and Deferred Allowance

Retirement benefits vest after ten years of creditable service. A member who leaves covered service within five years of reaching normal retirement age, with at least 10 years of creditable service, is also covered by death and survivor benefits. The benefit formula for the deferred allowance is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with 20 years of creditable service or at age 65 with more than ten years of creditable service. Members contribute as long as they remain in service.

B. Early Retirement is at age 55 with fifteen years of service.

C. Disability Retirement is available only for total and permanent disability regardless of age or years of service rendered.

D. Compulsory Retirement is not required by the retirement law. Retirement is determined by each local school board.

10. Requirement Benefit Formulae

A. Normal Retirement

The benefit formula is the average annual salary for the best ten years to a maximum annual salary of $25,000 effective September 1, 1969 times years of creditable service times 1.65 percent. This amount is payable to the retired member as a single life annuity. By choosing an option 30 days before retirement, the member may elect an actuarially equivalent joint and survivor annuity with 100 percent or 50 percent to the survivor, or a guarantee of payments for a minimum of five years or ten years. In addition to any option which might be chosen, all retired members are covered under the survivor benefit provisions described below.

The minimum retirement allowance for teachers retiring at age 60 or older is as follows: 36 or more years of service, $1,800; 25 through 35 years, $50 for each year of service; 20 through 24 years, $1,200. The minimum for teachers retiring at age 65 with credit for more than ten years through nineteen years of service is $900 annually. The minimum allowance for auxiliary employees is as follows: 60 years of age and older with 20 or more years of service, $900 annually; 65 years of age and older with more than ten years through nineteen years of service, $600 annually.

B. Early Retirement

The retirement allowance is figured as for normal retirement except that it is actuarially reduced from age 65 for those retiring with less than 25 years of service, and from age 60 for those with 25 years or more of service. Early retirement is also available at any age with 30 years of service under the normal retirement formula, but the allowance is actuarially reduced from age 60.

C. Disability Retirement

The disability allowance is calculated as for normal retirement, with no actuarial reduction. The minimum allowance is $50 per month. If the disabled member has less than ten years of service, the allowance runs for the number of months he was employed. The disability allowance is payable for life to a member with ten or more years of service.

11. Death and Survivorship Benefits

Upon death of a member in active service, his beneficiary is entitled to choose one of the following benefits: (a) a lump sum payment of the member's annual salary for the current or preceding school year to a maximum of $8,400; (b) 60 monthly payments equal to the retirement benefit the member would have received had he retired at normal retirement age with the same number of years of service for which he had credit at the time of his death; (c) a life annuity equal to allowance that would have been due had the member retired with a joint-survivorship option; or (d) a refund of the member's accumulated contributions with interest.

In lieu of the death benefits described above, the following survivor benefits are available to the beneficiaries of members with credit for at least one year of service: $500 in a lump sum payment plus one of these survivor benefit plans: (Plan A) $75 per month for life beginning at age 65 to the widow, dependent widower (considered to be one whose wife contributed to the household expenses), or dependent parent, provided there is no remarriage; (Plan B) $150 per month for the widow or dependent widower with dependent children under age eighteen, ceasing when the youngest child reaches eighteen, then $75 per month beginning at age 65 for the widow or dependent widower if there has been no remarriage; or (Plan C) $150 per month if there are two or more dependent children under eighteen, and ceasing when the youngest child reaches age eighteen.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Supplemental Social Security.

B. Teachers could possibly participate in retirement fund investing.

14. Recommendations for Improvement of the System

A. Retirement fund investment returns of at least 9% of new money.
B. Vesting after five years at age 55.
C. Opportunity to purchase fifteen years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until age of 23 if the individual is attending school.
F. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No complusory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

UTAH
Utah State Retirement System

1. Administrative Structure

Effective July 1, 1963, the retirement office is administered under the general direction of a retirement board of seven members, six of whom are appointed by the governor on a non-partisan basis. The seventh member is the state treasurer who serves ex officio, with full voting privileges. Three appointments are made from lists of recommended candidates submitted by public employee and employer organizations, provided two are school employees and one is a public employee not engaged in a school service. Two members are appointed from the public as public representatives, one of whom must be experienced in investments and one experienced in banking. One member is appointed as a representative of the employers covered by the various systems. Terms of office are for six years, one term expiring each year.

The executive director is appointed by the retirement board to administer the retirement office. The director, within the limits of the annual budget approved by the board, employs such staff personnel and consultants as deemed necessary to administer the retirement systems and the funds assigned to the retirement office for administration.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 4½ percent of total salary.
B. Employer
Public financing is by the employer (school district, college, or other unit) and is a full matching of members' contributions. School districts are reimbursed by the state for their contributions to the retirement system. The contribution rates for members and employers are scheduled to be raised 1/4 of one percent from a beginning four percent rate each two years beginning July 1, 1969, to five percent each in 1975.
C. Interest at the rate of 4 percent (effective July 1, 1967) is credited annually to a member's account each June 30 on the basis of the amount in the account the previous July 1. The rate is established by the retirement board.

3. Investments

Investment of retirement funds is permitted in U. S. Treasury obligations, obligations of U. S. agencies, municipal bonds, FHA mortgages, corporate securities, and common stocks rated A or better by one standard rating service. Forty percent of cash flow is going into equities.

The Utah State Retirement Board handles the investments for this system, and all other Utah state-wide retirement systems.

As of July 1, 1969, total investments for the combined investment retirement fund, exclusive of cash, were $116,462,496; cash on hand was $1,162. The yield on the fund was 5.12 percent.

4. Social Security Coverage

Social Security coverage was adopted for school employees, effective January 1, 1954, and retroactive to January 1, 1951. School districts pay the employers' share of Social Security but are reimbursed by the state. Social Security is fully supplemental to the Utah State Retirement System.

5. Tax-Sheltered Annuities

A tax-sheltered annuity provision was included in 1967 legislation but has not been made available to members of the system because of financial and other administrative problems.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 1,804 school retirants and survivor beneficiaries were receiving benefits. The average annual retirement allowance was $1,140 for service retirement and $790 for disability retirement.

Additional benefits are paid to many retired members but are not considered as part of the basic retirement allowance. During the last retirement year, 79 members retired. For this group the average annual retirement allowance was $987 for service retirement and $830.40 for disability retirement. These figures do not represent a normal retirement year. Due to pending legislative changes, most retiring members delayed applying for retirement benefits until July 1, 1967.

7. Creditable Service

Military service may be purchased under designated circumstances. Parochial school service in Utah rendered before July 1, 1937, is creditable under limited circumstances.

8. Mobile Teacher

A. Purchase of Out-of-State Service
Out-of-state school service and overseas dependents schools service are not creditable.

B. Vesting and Deferred Allowance
Benefits vest after the member accumulates the required service credits to qualify for retirement as described below. The member need not be in active service at the time the retirement payments start. The benefit formula is the same as that used for a member who has remained in active service up to retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65, with four years of service.

B. Early Retirement is at age 55–59 with 30 years of service, at age 60–61 with 20 years of service, and at age 62–64 with ten years of service.

C. Disability Retirement is available at any age with ten years of creditable service, provided application is made within two years of the last day of service rendered. The disability must be permanent or of an indefinite duration.

D. Compulsory Retirement
The retirement law does not provide for compulsory retirement although most school districts and other employers do.

10. Requirement Benefit Formulae

A. Normal Retirement
The benefit formula is one percent times years of service times final compensation (the average salary of the highest paid five consecutive years in the last ten years of service). All service before July 1, 1967, is limited to a maximum monthly salary average of $500. In 1975 the benefit formula will be raised to 1.1 percent if the system can fund the increased cost.

B. Early Retirement
The normal allowance is reduced for early retirement at the rate of approximately seven percent for each year of retirement prior to age 65.

C. Disability Retirement
The normal disability yearly allowance before age 60 is 9/10 percent times years of service times final compensation, as defined above. At and after age 60 the formula is 8/10 of one percent. Credit is given for years of possible service from date of retirement to age 65, limited to a total allowance not to exceed 25 percent of final compensation if such service is used. The minimum monthly disability payment is ten percent of the member's average monthly final compensation.

11. Death and Survivorship Benefits

Beneficiaries receive 50 percent of final average annual salary with a $600 minimum, plus refund of the member's contributions plus interest. If the beneficiary is not a spouse, dependent child, or handicapped child, the death benefit is the return of all contributions plus interest. Beneficiaries of inactive members receive a refund of contributions and interest only.

The spouse of a member who dies after qualifying for retirement, but before retiring, is eligible to receive a reduced allowance in lieu of the lump sum death benefit.

12. Regularly Planned Cost of Living Adjustment after Retirement

A cost of living increase in the normal allowance is granted each year in which the cost of living rises one percent or more. A five percent increase is granted after the member has been retired five years, with a one percent increase to be added each year thereafter.

13. Strengths of the System

A. Supplemental Social Security.

B. Investment in common stocks.

C. Classroom teacher could participate in retirement fund investing.

D. Cost of living adjustment for retirants based on consumer price index.

E. A 5% increase after retired five years and 1% per year thereafter.

14. Recommendations for Improvement of the System

A. New money investment returns of at least 9%.

B. Opportunity to purchase fifteen years of out-of-state service.

C. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.

D. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's would continue until the age of eighteen years or until the age 23 if the individual is attending school.

E. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.

F. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.

G. No complusory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.

H. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.

I. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

J. A lump sum death burial benefit of $1500.

K. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

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VERMONT
State Teachers' Retirement System of Vermont

1. Administrative Structure

The system is administered by a five-member Board of Trustees composed of the commissioner of education, the state treasurer, the commissioner of banking and insurance, and two members of the system elected by the membership for alternating four-year terms. The executive secretary is appointed by the Board of Trustees for an indefinite term. The Board members are reimbursed for necessary expenses incurred through their service on the Board.

2. Financing

A. Member

Benefits are financed jointly by members' contributions and public revenue. Members contribute a percentage of salary based on sex and age at time of entry into the system. The rates at age 20 and under are 5.82 percent for men, and 6.53 percent for women; at age 59 and over, 8.98 percent for men and 10.41 percent for women. In addition to the compulsory contribution, a member may make voluntary contributions of up to 5 percent for supplementary benefits. Any member with a potential of less than 35 years of Vermont service credit at age 60 may contribute such additional amount (annually as a percent of salary, or as a lump sum payment) as is computed to be required to provide a benefit payment equal to 50 percent of his "high 5-year salary average" on retirement at age 60.

B. Employer

The public share of the contribution comes from the state in annual appropriations enacted biennially. The state's contribution represents the percentage of membership payroll reported by the system's actuary as required to support the system, plus such amounts as may have been appropriated for payment of costs involved in legislation providing special benefits. The total appropriation for 1967-68 is $1,817,427; included is $1,758,193 as 7.34 percent of June 30, 1965, membership payroll, and $59,234 for additional prior-service credit and guaranteed 50 percent of earnings base.

C. Interest on members' accumulated contributions is compounded annually on the balance at the preceding June 30 and is credited to the member's account.

Effective July 1, 1967, the rate was increased from four percent to 4.3 percent. The rate is set by the Board of Trustees on advice of the system's actuary, within the minimum of three percent, and the new maximum of five percent established by law in 1967.

3. Investments

Investment of funds is limited by law to those that are legal for life insurance companies. Investment is now permitted in common stocks up to 35 percent of total assets. All funds are in the custody of the state treasurer who makes investments after consultation with the Board of Trustees and the system's investment counsel.

As of June 30, 1967, total assets were $43,058,255.

4. Social Security Coverage

Social Security coverage for teachers was authorized by law on a local option basis effective July 1, 1963. As of December 1, 1967, a total of 174 out of 320 school districts in the state have voted to offer teachers Social Security coverage; these 174 school districts represent approximately 75 percent of the teachers in Vermont.

Where Social Security coverage exists, the local school district pays the employer's share of the Social Security tax. Social Security benefits are entirely supplemental to the retirement allowance.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 787 retirants and survivor-beneficiaries were receiving benefits. The average annual retirement allowance was $1,686. During the last retirement year, 77 members retired. For this group, the average annual retirement allowance was $2,122.

7. Creditable Service

A. Military Service

Full credit is provided for military or naval service performed prior to July 1, 1947, or during membership in the system.

B. Leave of Absence

Full credit is granted to members who are given a leave of absence for professional study or for acceptance of an exchange position.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state school service is not creditable, except that credit for up to ten years of out-of-state service may be purchased by a member toward the fifteen years of service required for eligibility for disability retirement.

B. Vesting and Deferred Allowance

None.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 regardless of years of service.

B. Early Retirement is provided at any age after 35 years or more of Vermont service credit.

C. Disability Retirement is available at any age to members with fifteen years of service credit, the last five years of which must be in Vermont teaching service. A member is eligible for disability retirement if mentally or physically disabled for teaching with certification that the disability is "likely to be permanent."

D. Compulsory Retirement

The retirement law provides for compulsory retirement at the end of the school year in which the member attains age 70.

10. Requirement Benefit Formulae

A. Normal Retirement

The benefit formula is 1/70 of the "high 5-year salary-average" times years of Vermont service credit to a maximum of 35 years. The minimum annual allowance is $2,100 for 35 or more years of service, with proportionate reductions for service of less than 35 years.

B. Early Retirement

The benefit formula is the same as for normal retirement, but is actuarially reduced if the member retires before age 60.

C. Disability Retirement

The allowance is calculated as if the member had been in service until age 60, with the return from annuity

portion actuarially reduced according to the actual age at time of disability retirement, and a ten percent reduction in the pension portion payable as of age 60.

11. Death and Survivorship Benefits

The member's accumulated contributions plus interest are refunded in a lump sum if the member dies in active service. If death occurs at age 60 or over, or if the member had 35 years or more of Vermont service credit, the surviving spouse receives a 100 percent survivorship benefit payable for life in lieu of cash lump sum refund.

Survivor benefits of $50 per month are payable to dependent children under age eighteen (not exceeding a total of three) in addition to a cash lump sum refund of the deceased member's contributions.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Common stock investment to 35% of total assets.
B. Classroom teacher could participate in retirement fund investing.
C. Supplemental Social Security.

14. Recommendations for Improvement of the System

A. New money investment returns of at least 9%.
B. No vesting now. Opportunity for five years vesting at age 55.
C. Opportunity to purchase fifteen years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
F. Total disability retirement after 5 years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
G. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
H. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
I. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
J. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
K. A lump sum death burial benefit of $1500.
L. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

VIRGINIA
Virginia Supplemental Retirement System

1. Administrative Structure

The system is administered by a board of trustees consisting of nine members appointed by the governor, subject to confirmation by the legislature. The comptroller, the state treasurer, the auditor of public accounts, and the state tax commissioner serve ex officio. One member is a teacher, one, a state employee, and the others are neither teachers nor state employees nor otherwise in the employ of the government. Terms are four years, and members may serve only two terms. A non-retirement system member receives, in addition to expenses, $15 a day for each day actually spent in the discharge of his duties, up to a maximum of $3,000 a year. The governor designates the chairman.

The retirement board appoints a medical board of three physicians not eligible to participate in the retirement system. Each physician serves a term of four years.

The secretary of the retirement board and director of the retirement system is also the Social Security administrator.

2. Financing

A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 5½ percent of salary over $1,200.

B. Employer
Public financing is by the state, and the state contributions for teachers are currently 5.21 percent of total compensation. The 1966–67 appropriation for teachers was $15,685,770.

C. Interest at two percent is credited to members' accounts on June 30 on the balance at the beginning of the fiscal year. The rate is fixed in the retirement law.

3. Investments

Investments are limited by law to those of domestic life insurance companies, except that up to 20 percent of the fund may be invested in common and preferred stock. The investment authority, within specified limits, is delegated by the retirement board to the state treasury board.

As of June 30, 1967, total investments exclusive of cash, were $335,267,175.

4. Social Security Coverage

Social Security was adopted in 1952 and coverage was retroactive to January 1, 1951. All school employees are covered. The state pays the employer's share of Social Security. The retirement system and Social Security are coordinated.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, a total of 8,639 retirants and survivor beneficiaries were receiving benefits. The median annual

retirement allowance was $1,132. During the last retirement year 1,271 members retired. For this group, the median annual allowance was $1,284.

7. Creditable Service
Military service is credited under certain circumstances.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Out-of-state service is not creditable.
B. Vesting and Deferred Allowance
Benefits vest after ten years of service. The benefit formula for a deferred allowance is the same as for normal retirement.

9. Requirements for the Right to Retire
A. Normal Retirement is at age 65, with no service requirement.
B. Early Retirement is provided at age 60.
C. Disability Retirement is provided at any age with ten years of service.
D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 70.

10. Requirement Benefit Formulae
A. Normal Retirement
The benefit formula is 1-3/8 percent of the average salary over $1,200, payable during the five highest consecutive years of creditable service for each year of service. The following provisions also apply: (a) an additional amount is payable on the excess, if any, of the member's accumulated contributions transferred from the abolished system to the coordinated plan over the amount which would have been in his account with interest had he contributed, prior to repeal, four percent of final annual salary over $1,200 each year of his membership in the abolished system; and (b) a member who transferred his account from the abolished system shall be paid under the coordinated plan no less, together with Social Security, than the amount to which he would have been entitled under the abolished system. The minimum allowance shall be an amount which, when added to Social Security benefits, will equal $20 multiplied by the number of years of creditable service, to a maximum of $600.
B. Early Retirement
The normal allowance is actuarially reduced if the member has less than 30 years of service. A member retiring prior to age 65, may elect a Social Security option and receive from the retirement system an increased allowance up to age 65. The allowance from the retirement system is then reduced by the amount of the expected Social Security benefit and results in a level allowance being received during the entire period of retirement.
C. Disability Retirement
The disability formula is the same as for service retirement, except if prior to age 60, the length of credited service used in computing the allowance would be the smaller of: (a) twice the actual period of credited service and (b) the period of service that would have been completed at age 60 if remaining in service to that age. The minimum is an amount which, when added to Social Security benefits, will be the larger of $1,000 or 25 percent of final average salary.

11. Death and Survivorship Benefits
Lump sum death benefits of contributions plus two percent interest are paid to the beneficiary if the member dies in service under age 60. Optional monthly survivor benefits are payable to the spouse or parent in lieu of the lump sum if the member dies in active service after attaining age 60 or after completing 30 or more years of service.

Group life insurance is also payable in varying amounts based on annual salary and age prior to 65. The amount based on annual salary is reduced two percent per month thereafter until reduced to 25 percent of annual salary at age 65.

12. Regularly Planned Cost of Living Adjustment after Retirement
None.

13. Strengths of the System
A. Investment in common and preferred stock to 20%.
B. Classroom teacher could be on board of trustees of system.

14. Recommendations for Improvement of the System
A. Investment power should be kept by board of trustees and not delegated to the state treasury board.
B. Social Security on a supplemental and not coordinated basis.
C. New money investment returns of at least 9%.
D. Vesting after five years at age 55.
E. Opportunity to purchase fifteen years of out-of-state service.
F. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
G. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
H. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
I. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
J. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
K. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
L. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
M. A lump sum death burial benefit of $1500.
N. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

WASHINGTON
Washington State Teachers' Retirement System

1. Administrative Structure

The system is administered by a board of trustees, consisting of the state superintendent of public instruction, ex officio; the state insurance commissioner, ex officio; and five members of the retirement system who are appointed for three-year terms by the state board of education. At least three members must be classroom teachers.

2. Financing

A. Member

Benefits are financed jointly by member contributions and public revenue. Members contribute at the rate of five percent of annual salary. At time of retirement a member may make an additional lump sum contribution to his annuity fund in any amount up to, but not exceeding, his accumulated contributions.

B. Employer

Employer contributions are made quarterly by the state out of funds appropriated biennially by the state legislature from the state's general fund. Current pension benefits are paid from the state's quarterly contribution and the balance of such contribution is placed in a pension reserve fund to offset pension liabilities which have accrued and which will accrue in the future. The pension reserve funds are invested to provide additional revenue for the payment of future pension benefits. Employer contributions are not credited to individual member accounts. The rate of employer's contribution is determined by the board of trustees of the system on the basis of actuarial study. The rate will be a percentage of salaries necessary to fund existing and future pension liabilities over a period of 50 years. The amount required as the employer's contributions for a biennium is determined by the board of trustees and must be appropriated by the state legislature before the payments can be made from the state's general fund. The appropriation for the 1967–1969 biennium is $47,410,614. Employer contributions for the biennium cannot exceed the amount appropriated by the legislature.

C. Interest on members' contributions is credited annually on June 30. The current rate is 4.75 percent. The rate is set by the board of trustees.

3. Investments

The investment authority is in the board of trustees of the system. Retirement funds may be invested in obligations of the United States Government or any corporation wholly owned by the United States Government which are guaranteed as to principal and interest; FHA and VA mortgages; obligations of the state of Washington and its agencies; full faith and credit obligations of any other state and the Commonwealth of Puerto Rico, and of the Government of Canada or a Canadian province if the principal and interest are payable in United States funds; obligations of municipal corporations, political subdivisions, or state-supported institutions of higher learning of Washington; municipal obligations of any other state if the city or political subdivision has a population of 10,000 or more, and of any city of Canada with a population of 100,000 or more, provided the principal and interest are payable in United States funds; obligations of the World Bank or the Federal National Mortgage Association, and of a federal land bank or a federal intermediate credit bank under the Federal Farm Loan Act; obligations of a public housing authority or urban redevelopment authority issued pursuant to Washington laws; and state or municipal revenue bonds. Investments are also permitted in A bonds issued by U. S. corporations, investments in federally insured savings and loan associations operating in Washington; in capital notes or debentures of a national or state bank; equipment trust certificates; and in federally insured saving deposits in commerical banks and mutual savings banks.

As of June 30, 1967, total investments, exclusive of cash, were $230,695,009; cash on hand was $2,549,989.

4. Social Security Coverage

Social Security coverage was adopted in 1957, retroactive to January 1, 1956. Coverage is state-wide and includes all public school teachers. The local school district pays the employer's share of the Social Security tax. Social Security benefits are fully supplemental to the retirement allowance.

5. Tax-Sheltered Annuities

Not available to members from the system.

6. Number of Retirees and Benefits Paid

As of June 30, 1967, the total number of retirants and survivor beneficiaries receiving benefits was 6,592. The median annual retirement allowance was $1,726. During the last retirement year, 721 members retired. For this group, the median annual retirement allowance was $2,160.

7. Creditable Service

A. Military service up to a maximum of five years is creditable if the member interrupts his Washington public school service for this purpose and returns to teaching after completing military service.

B. Leave of Absence

Effective July 1, 1967, all retirees on the rolls at that time as well as future retirees will receive a pension based on total years of service credit. Included is credit for periods of sabbatical leave. Up to two years of credit, but not more than one year in a ten year period, is allowable for professional preparation which interrupts teaching service.

8. Mobile Teacher

A. Purchase of Out-of-State Service

Out-of-state prior-service credit can no longer be established.

B. Vesting and Deferred Allowance

Benefits vest automatically after five years of Washington service rendered after July 1938. A deferred allowance is payable at age 60, provided the member is not then engaged in public school service in another state or country. The benefit formula for deferred retirement is the same as for normal retirement.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 60 with at least five years of Washington service, or at any age after 30 years of service. Contributions continue as long as the member remains in service.

B. Early Retirement

There is no provision for early retirement other than after 30 years of service, regardless of age, at which time the normal retirement benefit is payable.

C. Disability Retirement is available to a member who becomes disabled while employed as a full-time teacher; such a teacher may qualify for temporary disability benefits at $120 per month for not more than two years. Temporary disability benefits are paid from a Disability Reserve Fund created through member contributions of $5.50 per year. After receiving temporary disability benefits for two years, a member who is permanently disabled may then qualify for disability retirement, provided he has fifteen or more years of service credit. If it is to the member's advantage, and he is otherwise eligible for disability retirement, he may apply for disability retirement without first applying for temporary disability.

Effective July 1, 1969, members retired because of disability will no longer be subject to an actuarial reduction in the pension prior to age 60, but will receive the normal retirement pension based on total years of service credit established.

D. Compulsory Retirement is not required by the retirement law. Many school districts have policies for compulsory retirement at age 65; some have no policy.

10. Requirement Benefit Formulae

A. Normal Retirement
Effective July 1, 1967, the retirement allowance is an annuity purchased with the member's accumulated contributions and interest, and a pension from state funds under the following formula: 1/120 times average salary for five highest years in last ten years of service times total years of service credit. The minimum pension is $4 per month for each year of service credit. Effective July 1, 1969 the retirement allowance formula is equal to total years of creditable service times average salary for five highest in last ten years divided by 120.

B. Early Retirement
There is no provision for early retirement other than after 30 years of service, regardless of age, at which time the normal retirement benefit is payable.

C. Disability Retirement
The disability retirement allowance consists of the maximum annuity based on the member's age at retirement and a service pension which is actuarially reduced for retirants under age 60, but with full pension beginning at age 60. The minimum pension is $4 per month for each year of service and a minimum monthly allowance of $75.

11. Death and Survivorship Benefits

Upon the death of a member before retirement, his designated beneficiary is eligible to receive a lump sum payment of the member's accumulated contributions and interest. A separate death benefit of $300 is payable to the beneficiary of a member who dies while in active full time service, provided the member had at least one year of full-time Washington service.

The beneficiary of an active contributing member who dies before retirement may receive a monthly survivor benefit in lieu of a lump sum payment of the member's accumulated contributions, under the following conditions: (a) if a member had fifteen or more years of Washington membership service credit, the widow or dependent widower, without a child under eighteen years of age, may elect a payment of $50 per month at age 50, terminable on remarriage. (b) If a member dies after becoming eligible for retirement, the beneficiary, if a spouse or a dependent, may elect to receive a monthly allowance for life based on a joint-survivor retirement option, which includes both annuity and pension benefits.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Social Security on a supplemental basis.
B. Classroom teachers participate in retirement fund investing.

14. Recommendations for Improvement of the System

A. Board of trustees elected by members of the system (teacher members) and not appointed by the state board of education.
B. Vesting after five years of service at age 55.
C. New money investment returns of at least 9%.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.

WEST VIRGINIA
West Virginia Teachers Retirement System

1. Administrative Structure
The system is administered by a seven-member retirement board consisting of the governor, who is ex officio chairman, the state school superintendent, the state director of the budget, the state insurance commissioner, and three members elected by the members of the retirement system. The three elected board members must belong to the retirement system. They serve six-year terms.

2. Financing
A. Member
Benefits are financed jointly by member contributions and public revenue. Members contribute 4½ percent of annual salary. Members employed in the state institutions of higher learning who have TIAA coverage contribute at the rate of 4½ percent of annual salary to a maximum of $4,800.

Members may make additional contributions in units of $50 for voluntary supplemental benefits.

B. Employer
The state matches the annual regular contributions of the members. The matching contributions are maintained separately in the Employers' Accumulation Fund. For 1967–68 the state appropriation was $3,525,000 for this purpose.

C. Interest on members' accumulated contributions is guaranteed at the rate of three percent and may be higher. The interest rate to be credited to member's accounts is set by the retirement board at its discretion.

3. Investments
Investments are administered by the state Board of Investments, composed of the governor, the state auditor, and the state treasurer. The investments are limited to bonds and securities of the federal government, FHA-insured loans and bonds of the state of West Virginia and county school districts, county courts, municipalities of the state of West Virginia, and fixed interest debentures or bonds of U. S. corporations.

As of July 1, 1967, total investments, exclusive of cash, were $125,989,249; cash on hand was $8,280,557.

4. Social Security Coverage
Social Security coverage for teachers was authorized by law in 1956 on a local option basis. Teachers had the opportunity to vote on its adoption. Not all school districts are covered by Social Security. The county school districts pay the employer's share of the Social Security tax. Social Security benefits are entirely supplemental to retirement allowance.

5. Tax-Sheltered Annuities
Effective May 9, 1967, tax-sheltered annuities are available to members from the system. Accounts or participating members are segregated, but funds are commingled. Interest is credited currently at the rate of 3.5 percent.

6. Number of Retirees and Benefits Paid
As of July 1, 1967, a total of 6,835 retirants and survivor-beneficiaries were receiving benefits. The median annual retirement allowance was $1,471.44. During the last retirement year, 651 members retired. For this group, the median annual retirement allowance was $1,444.08.

7. Creditable Service
Military service is creditable. The state pays the entire cost of the credit.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Credit for out-of-state service in the public schools in other states is given under the same terms and conditions, if any, which the other states follow in giving credit for service in the public schools of West Virginia.

B. Vesting and Deferred Allowance
Benefits vest after 20 years or more of service, and a deferred allowance is payable at age 60. The benefit formula is the same as for normal retirement.

If a member has at least five years of service, he may continue to make deposits to his account for each year of absence from service until he attains age 60 and qualifies for a retirement allowance at that time. The deposit for each year is an amount equal to the last annual contribution while in service. The member must make deposits for at least one-half of the number of years of absence.

9. Requirements for the Right to Retire.
A. Normal Retirement is at age 60 with five years of service, or at any age with 35 years of service. A normal retirement benefit is available to a former teacher who has served at least 25 years as a teacher prior to July 1, 1941, and who has attained age 65. Contributions continue as long as the member remains in active service. Benefits are in the form of an annuity which is the larger of the amounts provided under Plan A and B.

B. Early Retirement is provided at age 55 with 30 years of service.

C. Disability Retirement for permanent disability is available at any age to members with ten years of service.

D. Compulsory Retirement at age 65 is required by the retirement law unless the employer makes a written request to the retirement board that the service of the member be retained. Such requests have always been approved by the retirement board.

10. Requirement Benefit Formulae
A. Normal Retirement
Under Plan A, the annuity is computed as follows: (a) the actuarial equivalent of the member's normal accumulated contributions, plus regular interest, and a matching contribution by the employer; plus (b) the actuarial equivalent of the member's additional deposits, if any, plus interest; plus (c) a prior-service allowance of 1½ percent of three-fifths of final average salary (but not less than $1,200 nor more than $2,500) multiplied by the number of years of prior-service credit; plus (d) $24 for each year of service credit as a teacher; plus (e) $6 for each year of service credit as a teacher, to a maximum of $192.

Under Plan B, the annuity is computed as follows: (1) one percent of the member's average annual salary multiplied by his total years of service credit as a teacher (average annual salary means the average of the highest salary to a maximum of $12,000 of any five years with-

in the last fifteen years of service; $4,800 is the maximum salary on which calculations are based for members employed at the West Viginia University or at the other state institutions of higher learning), plus (b) the actuarial equivalent of the member's voluntary deposits plus regular interest.

B. Early Retirement is provided at age 55 with 30 years of service under the normal retirement formula, except that the member receives only 90 percent of the prior-service allowance.

C. Disability Retirement
The disability allowance is calculated as for normal retirement, except that if the disabled member is under age 50, the portion of the annuity derived from the employer's matching contributions is based on the sum which would have been accumulated had the member been in service until age 50 and contributed at the annual rate of his past actual contributions.

11. Death and Survivorship Benefits
Upon the death of a member in active service, the beneficiary receives the member's contributions plus interest and the state's matching contribution. If a member dies after having attained age 50, with at least 25 years of service, then, instead of this refund, his surviving spouse is automatically paid a lifetime allowance, computed on the annuity table for Option C.

12. Regularly Planned Cost of Living Adjustment after Retirement
Effective July 1, 1969 an increase of $.50 per month times total service was granted to all members who retired prior to January 1, 1969.

13. Strengths of the System
A. Supplemental Social Security

14. Recommendations for Improvement of the System
A. Teacher participation in retirement fund investing.
B. Investment returns of at least 9% on new money.
C. Vesting after five years at age 55.
D. Opportunity to purchase fifteen years of out-of-state service.
E. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
F. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

WISCONSIN
Wisconsin State Teachers Retirement System

1. Administrative Structure
The system is administered by a seven-member retirement board and an executive secretary, chosen by the board. Two members of the board represent the University of Wisconsin and are elected by members of the University Retirement Association. The state universities have two representatives on the board, elected by the membership of the State Colleges Retirement Association. Three members represent the public school retirement association and are elected by that association. All board members are elected for a three-year term. The board elects a chairman, vice-chairman, and secretary. The executive secretary is the executive head of the board. Regular meetings of the retirement board are held monthly. Board members are paid $25 for each day actually devoted to the performance of their duties, and reimbursed for actual and necessary expenses.

2. Financing
A. Member
Benefits are financed jointly by member contributions and public revenue. The required contribution rate of the member depends on the group to which he belongs as shown below. Additional voluntary deposits by members are permitted in any amount, except that for the variable annuity, additional deposits are limited to $5,000 per year.

A nonformula-group member in the combined group (with Social Security) contributes 4½ percent of total salary.

A nonformula-group member in the separate group (without Social Security) contributes six percent of total salary.

A formula-group member, in the combined or separate group, beginning on July 1, 1966, contributes 4½ percent on salary subject to the Social Security tax, and seven percent on salary in excess of the Social Security wage base.

B. Employer
The state matches the member's contributions. The state's deposit for such members is computed on a formula basis, based on teaching experience in and outside Wisconsin, the amount of the required member's deposit paid in, and the number of days taught each year.

The maximum state deposit is $385 per year after 30 years.

The state contributions for nonformula-group members are credited directly to each member's account at time of service. Annual appropriation is made available to the retirement system monthly on the basis of 1/12 of the annual estimated requirement for state deposits.

After June 30, 1966, contributions by the state for formula-group members will be determined annually by the board and will be in amounts to meet fully the state's cost on a current basis and is to include the amortization within 40 years from June 20, 1966, of the increased cost of the formula benefit, based on service up to June 30, 1966. The state contributions will not be credited directly to the members' accounts.

C. Interest is determined by the retirement board after administrative and investment expenses have been deducted, and is credited annually to the members' accounts. In the variable annuity division, after the rate has been established each year, annuities are adjusted according to the net gain or loss. Earnings credited to member's accounts for the 1964–65 school year was 5.80 percent in the fixed division, and 9.20 percent in the variable division. Members receiving variable annuities on June 30, 1965, received an increase of 4.45 percent in the annuity payment. This increase will continue to June 30, 1966, after which a determination of gains or losses will be applied, effective July 1, 1966.

3. Investments

The retirement board has no control over investments. All funds are invested by the State of Wisconsin Investment Board, a corporate body commissioned with the power and authority to exercise exclusive control over the investment of all moneys contained in 23 funds, including the State Teachers Retirement Fund [Wisconsin Statutes, sec. 25.17(1)]. Under the provisions of the law, assets of the variable division are invested primarily in equities securities, including common stocks, real estate, and securities converted into common stocks. Assets in the fixed annuity division are invested in preferred stocks, bonds, mortgages, etc. Equity investments in the fixed division are limited to a maximum of ten percent of assets.

As of June 30, 1965, total investments, exclusive of cash were $382,000,000; cash on hand was $162,000.

4. Social Security Coverage

Social Security coverage was adopted on a divisional basis in 1957, retroactive to January 1, 1955. All members with Social Security coverage are in the combined group.

For combined group members in the nonformula group, Social Security benefits are supplemental to the retirement allowance. For combined group members in the formula group, the member's contribution rate is coordinated with the Social Security wage base. Social Security benefits for formula-group members are integrated by the offset method.

The state pays the employer's share of the Social Security tax.

5. Tax-Sheltered Annuities

Tax-sheltered annuities have been available to members through the retirement system since January 1964.

As of June 30, 1965, 73 public school districts were participating in the program, with a total of 651 depositors. The University of Wisconsin participated with 235 depositors, and the state universities with 100 depositors. The total amount paid in during the school year 1964–65 for tax-sheltered annuities was $1,290,470.

6. Number of Retirees and Benefits Paid

As of June 30, 1965, a total of 7,460 retirants and survivor beneficiaries were receiving benefits. During the last retirement year, 700 members retired.

7. Creditable Service

Military service is creditable. Under certain conditions, credit is given for service with the federal government for time spent in training to teach, and teaching persons in all branches of the Armed Forces, or in the American Field Service during World War II or after June 25, 1950, during a period of national emergency.

8. Mobile Teacher

A. Purchase of Out-of-State Service
No out-of-state teaching service is creditable for members of the combined group.

B. Vesting and Deferred Allowance
For members not in the formula group, there is immediate vesting of the state's matching deposits as death benefits are deferred annuities. For members of the formula group, there is immediate vesting of a deferred allowance. Death benefits consisting of the employer's cost of a deferred annuity in the case of death in service vest at age 60.

The deferred benefit is calculated as for normal retirement but is actuarially reduced if the allowance is taken before age 65. The allowance is available at age 50.

9. Requirements for the Right to Retire

A. Normal Retirement is at age 65 regardless of service.

B. Early Retirement is provided at age 50 or over, regardless of years of service.

C. Disability Retirement is available at any age to members with at least five years of service.
Two types of benefits are available to a combined group member in the nonformula group.

Disability benefits are available to a formula-group member for disability occurring after June 30, 1966, provided he is (a) under age 65 when disabled, (b) has made required deposits for at least five school years within an 84-month period preceding disability, and (c) is unable to engage in any substantial gainful activity because of physical or mental impairment which can be expected to result in death or to be of long-continued or indefinite duration.

D. Compulsory Retirement is not required by the retirement law. School boards, the University of Wisconsin, and state universities may determine compulsory retirement age.

10. Requirement Benefit Formulae

A. Normal Retirement
In the nonformula-group, the annuity is a money-purchase annuity based on sex and age at retirement and the annuity option selected. In the formula group, the benefit equals 6/7 percent of average earnings for the five highest years during the last 10 years of creditable service, plus 3/7 percent of such earnings in excess of $6,600 (the Social Security base), times years of creditable service.

B. Early Retirement
The benefit is calculated as for normal retirement, but is actuarially reduced.

C. Disability Retirement

If permanently and totally disabled, he receives a disability annuity of $100 per month less the full amount of any Social Security benefit payable, plus a money-purchase annuity derived from all available deposit accumulations. If the member is disabled only for the performance of teaching service, the disability annuity is $25 per month, plus a money-purchase annuity derived from all available deposit accumulations.

A separate group member in the nonformula-group is entitled to a disability annuity which is $25 per month, plus a money-purchase annuity derived from all available deposit accumulations.

The disability annuity is the greater of (a) the amount of the regular retirement annuity (assuming that such could be paid at any age) or (b) 1½ percent of the member's final average compensation multiplied by years of creditable service, including assumed service between the date disability occurred and his 65th birthday, but not to exceed 50 percent of final average compensation. The amount payable is to be reduced 20 percent when the recipient becomes eligible for a Social Security primary or disability benefit, but there is no reduction for the first seven months after the annuity begins.

If a formula-group member is disabled only for performance of teaching service, the disability annuity is $25 per month in addition to any other benefit payable to him.

11. Death and Survivorship Benefits

Upon the death of a nonformula-group member before retirement, the total accumulation from member deposits and state deposits is payable as a death benefit. This death benefit is paid either in a lump sum to the designated beneficiary, if so directed by the member, or as survivor benefits in the form of a monthly annuity under one of five options selected by the member. If the member did not specify the method of payment, the beneficiary may make an election under one of three options. Where no beneficiary was named, a lump sum payment is made to the estate.

Upon the death in service before age 60 of a formula-group member, the death benefit is the total accumulation from the member's deposits plus any state deposit accumulations to the credit of the member prior to becoming a member of the formula group, namely July 1, 1966. The death benefit may be paid as an annuity or in a lump sum to one or more designated beneficiaries or to the estate of the member. If an active member (other than a former annuitant) dies after attaining age 60, and if the designated beneficiary is a spouse, a child under age 21, a handicapped child regardless of age, or other dependent, the death benefit is equal to the benefit which would have been payable on a joint and survivor annuity (full continuance) as if the member had retired immediately prior to his death and elected to receive his retirement annuity in such optional form. The beneficiary, however, may elect to receive a lump sum settlement of the accumulation as specified for a member whose death occurs prior to age 60.

12. Regularly Planned Cost of Living Adjustment after Retirement

None.

13. Strengths of the System

A. Common stock-equity investments to 10% (fixed division).
B. Variable annuity program.

14. Recommendations for Improvement of the System

A. Social Security on a supplemental basis.
B. Retirement fund investing by retirement board.
C. Investment returns of 9% on new money.
D. Teacher participation in investing.
E. Opportunity to purchase fifteen years of out-of-state service.
F. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the identical change in the consumer price index.
G. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of eighteen years or until the age of 23 if the individual is attending school.
H. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000 per year.
I. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he had not retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
J. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
K. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
L. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
M. A lump sum death burial benefit of $1500.
N. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

WYOMING
Wyoming Retirement System

1. Administrative Structure
The Wyoming Retirement Board consists of nine members: the state auditor, the state treasurer, and the president of the state board of education; two elector members appointed for four-year terms by the governor, two school employees elected by the employees for four-year terms, and two state employees elected by the employees for four-year terms.

2. Financing
A. Member
Benefits are financed jointly by member contributions and public revenue.

Effective July 1, 1969 members contribute five percent of salary to a maximum of $8,600. There is no provision for additional contributions.

B. Employer
The employing agency matches the member's contributions. The employers' contributions are used in calculating allowances but are not actually credited to the member's account.

C. Interest is credited to each member's account. Interest used in all calculations to June 30, 1959, is 2½ percent; to June 30, 1963, 3 percent; to June 30, 1964, 3¼ percent; thereafter, 3½ percent. The rate is fixed by the retirement board.

3. Investments
Investments are limited to governmental obligations of the United States, the state of Wyoming and its political subdivisions, and corporate bonds and mortgages. The constitution of Wyoming prohibits investing in stocks. Authority for investing rests with the Retirement Board.

As of June 30, 1967, total investments, exclusive of cash, were $27,992,000; cash on hand was $217,211.

4. Social Security Coverage
Social Security was adopted March 31, 1953, effective January 1, 1951, if employment had been continuous; otherwise it was retroactive to the date continuous employment began. All school and state employees are covered. The employing agency pays the employer's share of Social Security. Social Security benefits are fully supplemental to the retirement allowance.

5. Tax-Sheltered Annuities
Not available to members from the system.

6. Number of Retirees and Benefits Paid
As of June 30, 1967, a total of 1,220 retirants were receiving benefits. The median annual retirement allowance was $700. During the last retirement year, 155 members retired. For this group, the median annual retirement allowance was $550.

7. Creditable Service
Military service is allowed in determining eligibility for disability of service retirement, but not in calculating the amount of the allowance unless the member makes the contributions which would have been required had he remained in public service.

8. Mobile Teacher
A. Purchase of Out-of-State Service
Out-of-state service is not creditable.

B. Vesting and Deferred Allowance
Benefits vest after four or more years of creditable service. The deferred allowance for all service after March 31, 1953, is based upon the member's contributions, the employer's matching contributions, interest, sex, and age at retirement.

9. Requirements for the Right to Retire
A. Normal Retirement is voluntary at age 60, provided the member has at least four years of creditable service. A member contributes as long as he remains in employment, regardless of age. The employer also continues to pay matching contributions.

B. Early Retirement is available at any age with 25 years of creditable service.

C. Disability Retirement
Total and permanent disability retirement is available at any age with fifteen or more years of creditable service.

D. Compulsory Retirement
The retirement law provides for compulsory retirement at age 65, but also provides that the Retirement Board shall grant permission for continuance in employment at the request of the employer.

10. Requirement Benefit Formulae
A. Normal Retirement
The retirement benefit consists of an annuity based upon the member's contributions, plus a matching pension.

B. Early Retirement
The allowance is the actuarial equivalent of that which would have been received at age 60.

C. Disability Retirement
There is no provision for temporary disability. The allowance is equal to that which would have been received at age 60, regardless of the age at which disability retirement occurs.

11. Death and Survivorship Benefits
If the member dies before retirement, his beneficiary receives a refund of contributions, plus compound interest.

12. Regularly Planned Cost of Living Adjustment after Retirement
Effective April 1, 1967, all presently retired members and all future retirants will receive supplements to their retirement allowances based on reserve funds available as shown by actuarial studies. According to present reserves these supplements are $2.50 on a monthly base allowance of up $10.00, 25 percent on a monthly base allowance of $10.01–100.00, and $25.00 on monthly base allowance of $100.01 or over.

13. Strengths of the System
A. Supplemental Social Security.
B. Classroom teachers could participate in retirement fund investing.
C. Vesting after four years.
D. Adjustment for retirants.

14. Recommendations for Improvement of the System
A. Investment in common and preferred stocks to 50% of total assets.

B. New money investment returns of at least 9%.
C. Opportunity to purchase fifteen years of out-of-state service.
D. Annual automatic cost of living adjustment of the original retirement allowance of retirants based upon the change in the consumer price index.
E. A widow's survivorship allowance of at least $3,000 per year if her husband dies before retirement and a family allowance of at least the poverty level figure of $4,000 per year if one child is involved and 5% of final salary for each additional child. The children's allowance would continue until the age of 18 years or until the age of 23 if the individual is attending school.
F. A fixed single percentage benefit formula.
G. Total disability retirement after five years of service at 50% of final year's salary. No disability allowance would be less than the poverty level figure of $4,000.
H. Normal retirement after 20 years of service at 50% of final year's salary. Payment would be deferred until age 55 and the date on which the retirant would have completed 25 years of service if he hadn't retired. The benefit formula after 20 years would be 2½% per year to a maximum of 80% of final year's salary.
I. No compulsory retirement age fixed by the retirement law, but a local board of education may request retirement at age 70.
J. New money investments in common and preferred stocks to 50% of Public Retirement Fund assets.
K. Opportunity for teachers to participate in a variable annuity program to 75% of contributions.
L. A lump sum death burial benefit of $1500.
M. An annual automatic cost of living adjustment of survivorship benefits of widows and children identical to the change in the consumer price index.

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